



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON

OFFICE OF THE DIRECTOR

SECRET

April 8, 1943

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the operating report of Lend-Lease purchases for the week ended April 3, 1943.

Mr. Stettinius recently discontinued the regular staff meetings of the OLLA with representatives of the procurement agencies and substituted a plan which provides for meetings at times when there are special matters requiring discussion. In announcing the discontinuance of regular meetings, he stated that operations now seemed to be running smoothly and scheduled meetings are no longer necessary.

Clifton E. Mack
Clifton E. Mack
Director of Procurement



(37861)

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF APRIL 3, 1943
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$2925.6 (2922.5)	\$1545.7 (1545.7)	\$1066.6 (1066.1)	\$103.4 (102.9)	\$6.1 (4.6)	\$203.8 (203.2)
Purchase Authoriza- tions (Requisitions)	\$2362.8 (2348.0)	\$1347.5 (1338.6)	\$ 916.6 (912.4)	\$ 41.7 (41.7)	- -	\$ 57.0 (55.3)
Requisitions Cleared for Purchase	\$2257.4 (2227.2)	\$1291.9 (1274.5)	\$ 870.6 (859.8)	\$ 41.6 (41.1)	- -	\$ 53.3 (51.8)
Obligations (Purchases)	\$2198.9 (2179.8)	\$1272.7 (1259.4)	\$ 833.9 (829.2)	\$ 41.1 (41.1)	\$4.6 (4.5)	\$ 46.6 (45.6)
Deliveries to Foreign Governments at U. S. Ports*	\$ 965.6 (955.4)	\$ 724.4 (719.7)	\$ 213.7 (208.2)	\$ 17.0 (17.0)	- -	\$ 10.5 (10.5)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of March 27, 1943.

Treasury Department
Division of Monetary Research

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Date April 9, 1943.19

To: Miss Chauncey

From: L. Shanahan

The attached copy of statement is
a very poor one, but as you received the
original copy on April 7th, will this
one do?

April 6, 1943

Meeting in Mr. White's Office
April 6, 1943
4:15 P.M.

Present: Dr. Clark
Mr. Plumptre
Mr. Carswell
Mr. Currie
Mr. White
Miss Kistler

*For April meeting
see p. 106*

Dr. Clark and Mr. Plumptre called on Mr. White to continue the discussion on the implementation of the arrangement concerning Canada's U.S. dollar reserve. Dr. Clark submitted a statement on Canada's dollar position as of March 31, 1943 which showed that the Canadian Government held gold and U.S. dollars on that date totalling \$537 million.

Dr. Clark explained that against this reserve, there was a backlog of payments due to Lend-Lease for "Can-Pay" requisitions which on March 15 totalled \$125 million. He said there was also due from the Canadian Government to the U.S. Government \$34 million as rebates on ships. Subtracting these items and the \$71 million of net U.S. dollar proceeds from security sales during the first quarter of 1943, which by the arrangement are to be considered outside the reserve, brings the Canadian Government's holdings of gold and dollars down to \$378 million. The current forecast for the second quarter of the year indicates a surplus over and above net proceeds from security transactions of only \$20 million. It was agreed that the current trend indicated no urgent need for action.

Mr. White asked Dr. Clark what procedure he would prefer to have adopted to implement the arrangement. The procedure Dr. Clark outlined is very similar to the original one considered here--namely, the diversion of materials from one contract to another as they are delivered. Dr. Clark, however, repeated the fear of the Canadian production people and their strong reluctance to have our procurement people here informed of the arrangement and the measures taken under it. He said that he would like to think about the matter a little more and discuss it further with the people here and in Ottawa before formulating his decision. His second preference he said would be the procedure outlined by Mr. Carswell at the last meeting. This procedure would not involve any change in the contracts but would effect the required reduction in Canada's dollar receipts through the reimbursement by the Canadian Government for goods delivered in excess of the amount required to maintain Canada's reserve between the agreed-upon limits. Dr. Clark gave as one reason for wishing to exclude the procurement people and for not informing them of what is being done under the arrangement, the chances for leaks on Canada's dollar position as the number of people informed of it increases and the concomitant possibility

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of rumors and speculation on the security market. The Canadians reiterated their opposition to bringing the U.S.-Canadian Joint War Production Committee into the picture. They stressed the fact that the function is really one of the Munitions Assignments Board.

Mr. Currie and Mr. Carswell joined the group at 5:00 P.M. Mr. White reviewed Canada's dollar position for Mr. Currie, who mentioned that the \$125 million owed by Canada to Lend-Lease was offset in part by \$40 million owed by the U.S. Government to Canada for munitions. The latter, however, appears to represent only a normal backlog, while the former is an accumulation of seven or eight months.

Dr. Clark then outlined the tentative conclusion reached by the smaller group concerning the procedure to be followed. Mr. Currie suggested that the Treasury should ask to be informed and be given a chance to voice an opinion on what particular contracts should be diverted from the United States to Canadian account. He pointed out that this is necessary in order to insure that the steps taken under the scheme would be the best from the point of view of our public relations here. This met with the approval of the group. It was agreed not to attempt to crystallize the details of the procedure now but to leave it open until an occasion arose for action to be taken.

Mr. White asked about the security floatation in this country of the Steep Rock Iron Mines. Dr. Clark offered an explanation in terms of an apparent difficulty of the group to find interested investors in Canada. He also mentioned that the type of ore made it natural for the promoters to go to the Cleveland group for financial backing.

The group adjourned, Dr. Clark remaining behind to see the Secretary.

T. M. Kistler

Canada's U.S. Dollar Position at March 31, 1943

Aggregate holdings of U.S. dollars and gold by the Minister of Finance and the Foreign Exchange Control Board as at March 31, 1943, were as follows:

Gold	\$124 millions
U.S. dollars, F.E.C.B.	200 "
" " Minister of Finance	<u>133</u> " "
	<u>557</u> " "

* Excludes \$19 millions held in the redemption account for the redemption of Dominion of Canada 5% bonds which were called for redemption on March 15, 1943, when the Dominion issued a recurring loan in New York in January.

The total of \$557 million includes the special non-recurrent receipt of \$150 million received from the United Kingdom (\$21 million in December, 1942, \$104 million in January, 1943, and \$25 million in February, 1943.).

The receipts during the first quarter of 1943 may be summarized as follows:

	Balance Dec. 31/42	1943			First Quarter 1943	Balance at March 31, 1943
		Jan.	Feb.	Mar.		
Special Receipts from U.K.	\$31	\$104	\$25	\$ -	\$129	\$150
Other Receipts (net) *	<u>298</u>	<u>15</u>	<u>42</u>	<u>32</u>	<u>89</u>	<u>387</u>
	<u>\$319</u>	<u>\$119</u>	<u>\$67</u>	<u>\$32</u>	<u>\$218</u>	<u>\$537</u>

* Excludes transactions in the bond redemption account referred to above.

as yet

The following data are all that are available to explain the changes, as compared with the forecast made in February but dated March 1, 1943:

	Jan.	Feb.	Mar.	First Qr.	Forecast
				1943	
	(in millions of dollars)				
A. Sales of Canadian securities other than Dom. Govt. financing	\$19	\$24	\$25 *	\$68	\$62
B. Sales of U.S. and foreign securities	1	2	1	4	3
C. Deposits by War Supplies Limited	26	22	27	75	100
D. Gold sales to F.E.C.B.	12	11	11	34	35

* estimated

April 3, 1943.

Revised to Mr. White by Mr. Clark 4/13/43

April 1, 1943

Meeting in Mr. White's Office
April 1, 1943
10:15 A.M.

Present: Mr. Carswell
Mr. Plumtre
Mr. Currie
Mr. White
Miss Kistler

This meeting was a continuation of the conversations held in Mr. White's office with Mr. Plumtre and Mr. Scully on March 30, 1943 on the proposed implementation of the agreement concerning Canada's U. S. dollar reserve. Mr. Plumtre opened the meeting by restating his position for purposes of clarification. He said that in his opinion implementation of the agreement is a matter to be handled between the two Treasuries. Mr. White objected and said that in his opinion it was a government-to-government matter and that the question of which U. S. government agency should handle the problem for the United States was for this Government to decide.

Mr. Currie said that an apology was in order to Mr. Plumtre and he explained that there had been a misunderstanding on our side. Mr. White outlined the procedure which we had contemplated; that is, the diversion of goods from one contract to another at the time of the delivery.

Mr. Carswell objected that such a procedure would discourage the placing of future contracts in Canada by U.S. Government agencies. He feels that the result of introducing Canada's dollar position into the picture again may be an unfortunate one, because U. S. procurement officers may take it as an indication that they should place no more contracts in Canada. He stressed the fact that six to eight months from now Canada might need dollars and there would be no backlog of contracts with which to work. He outlined the alternative the Canadians wished to suggest; namely, that U. S. Government orders continue to be placed as in the past and that when Canada's U. S. dollar receipts are in excess of the amount needed to maintain Canada's reserve between the agreed-upon limits, the goods delivered on these contracts be charged to Canada's Mutual Aid Bill appropriation and credited under lend-lease account to the United States.

Mr. White said that his first reaction to this suggestion was unfavorable for political and other reasons. Mr. Currie emphasized that what should be done is to take advantage of Canada's comfortable dollar position to get out from under the contracts we had placed in that country for munitions to be lend-leased to Great Britain. He emphasized the vulnerability of this procedure particularly when Canada's balances are at a reasonable level.

Division of Monetary
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Mr. Plumptre brought up the point that war production is not increasing in either country. He stated that in fact production is being contracted and that what the Canadians fear is that the United States services will take advantage of this situation to cancel their orders in Canada, placing the major part of the burden of contraction on the Canadian economy. Mr. Carswell seemed extremely concerned about Canada's excess capacity and the probability that it would be ignored by American procurement officers in favor of excess capacity in the United States. Mr. White said that if both countries have excess capacity in the broad sense of available labor facilities, etc., he was at a loss to see why the United States should employ Canadian excess capacity when there was capacity in this country and no justifiable reason for preferring Canadian plants. He said he thought that excess capacity in Canada was as much the Canadian Government's responsibility as excess capacity in the United States is our problem. He also pointed out in this regard that it was his understanding that the integration of war production in the two countries and the placing of contracts where it would be most advantageous for maximizing joint war production of both countries, was one of the reasons for the establishment of the Joint War Production Committee.

Mr. Carswell suggested that perhaps instead of Canada's lend-leasing material to the United States an arrangement could be worked out whereby Canada would reimburse the U.S. Government periodically for payments made in excess of the amount necessary to maintain Canada's U.S. dollar reserve within the agreed-upon limits. Mr. White and Mr. Currie felt that this suggestion is a distinct possibility provided that the services could be assured that the cash refunds on these contracts could be tagged in such a way to a particular contract that the funds would be available to them for later disbursement. It was agreed to explore this matter further and to see what information could be gotten together on it before next Tuesday, April 6, when Drs. Clark and Shields are expected from Ottawa to continue the discussion.

The question then discussed was what agency should be given the responsibility of deciding for what materials the U.S. Government should be reimbursed. The Canadians reiterated their strenuous opposition to making this a function of the Joint War Production Committee. Mr. White and Mr. Currie stressed the point that the Treasury was not in a position to keep track of the orders and deliveries and decide what contracts were the most vulnerable. They emphasized that this function would have to be performed by some other agency. Assured that the work would be done by the staff of the Joint War Production Committee and not

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the contracting officers, the Canadians were somewhat reassured on the possible use of the Joint War Production Committee for this purpose.

Mr. Carswell said that he wanted to ask one question on behalf of Dr. Clark; namely, what our reaction would be to the Canadian Government taking over the Alaskan Highway. On inquiry, he replied that about two-thirds of the men employed on the Highway are American military forces and that U.S. Government expenditures on the project are running at about \$20 million per quarter. Mr. Currie again stated his position; namely, if the Canadian balances were higher than the maximum that we should use the opportunity to clear up the contracts placed in Canada for goods being lend-leased to the United Kingdom. I reminded the group that the policy of placing such contracts in Canada had been initiated without the knowledge of the Treasury and contrary to an interdepartmental decision reached in the summer of 1941 in which the Treasury had participated.

Mr. Carswell then said that he was also asked by Dr. Clark to raise the question of Canada's relaxing her travel restrictions in the United States. Mr. White said that he would have to consider the question before giving an official answer but that unofficially he felt very strongly that this was not an appropriate time to be encouraging travel.

T.M. Kistler

Division of Monetary
Research

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T.M. Kistler

APR 6 1943

My dear General Burns:

Thank you very much for your letter of April 1, 1943, transmitting a copy of "Program of Requirements for Armaments, Equipment and Materials for Supply to the U.S.S.R. by the Government of the United Kingdom During the Period July 1, 1943, to June 30, 1944" (Third Soviet Protocol).

Sincerely yours,

(Signed) H. Mergenthaler, Jr.

Secretary of the Treasury

Major General J. H. Burns, U. S. Army
The President's Soviet Protocol Committee
Washington, D. C.

GLjr:jkr

Envelope marked "confidential"
Photo file in Diary

(Mack's office had copy of enclosure)

Original incoming and copies of reply ret'd to Mack 4/7/43

CONFIDENTIAL

THE PRESIDENT'S SOVIET PROTOCOL COMMITTEE

WASHINGTON

April 1, 1943

My dear Mr. Secretary:

By direction of the Chairman of the President's Soviet Protocol Committee, there is enclosed for your information a copy of the "Program of Requirements for Armaments, Equipment and Materials for Supply to the U.S.S.R. by the Government of the United Kingdom During the Period July 1, 1943 to June 30, 1944" (Third Soviet Protocol).

Sincerely yours,



J. H. BURNS
Major General, U.S. Army

The Honorable,

The Secretary of the Treasury.

Inclosure

CONFIDENTIAL

SECRET

**PROGRAM OF REQUIREMENTS FOR
ARMAMENTS, EQUIPMENT AND MATERIALS
FOR SUPPLY TO THE U.S.S.R.
BY THE
GOVERNMENT OF THE UNITED KINGDOM
DURING THE PERIOD
JULY 1, 1943 TO JUNE 30, 1944**

(Submitted April 1, 1943)

SECRET

PROGRAM OF REQUIREMENTS FOR
ARMAMENTS, EQUIPMENT AND MATERIALS
FOR SUPPLY TO THE U.S.S.R.
BY THE
GOVERNMENT OF THE UNITED KINGDOM
DURING THE PERIOD
JULY 1, 1943 TO JUNE 30, 1944

(Submitted April 1, 1943)

SECRET

PROGRAM OF REQUIREMENTS FOR
ARMAMENTS, EQUIPMENT AND MATERIALS
FOR SUPPLY TO THE U.S.S.R.
BY THE GOVERNMENT OF THE UNITED KINGDOM
DURING THE PERIOD JULY 1, 1943 TO JUNE 30, 1944

(All weights given in long tons)

GROUP I. ARMAMENTS AND MILITARY EQUIPMENT

Item 1. - AIRPLANES

Amount requested: 2,400 pursuit planes "Spartfire" -
at rate of 200 planes per month

Item 2. - TANKS

The same types as has been agreed upon by the Second Protocol
Amount requested: 3,000 tanks - at rate of 250 tanks
per month.

Item 3 - POWDER

Amount requested: 12,000 tons - at rate of 1 000 tons
per month.

Item 4 - MINE SWEEPERS

Amount requested: 10 Mine Sweepers.

GROUP II. VARIOUS MATERIALS

Item 1. - TIN

Amount requested: 6,000 tons - at rate of 500 tons
per month.

Item 2. - LEAD

Amount requested: 12,000 tons - at rate of 1,000 tons
per month.

Item 3. - COLD DRAWN POLISHED DRILL RODS - High Speed Steel

Amount requested: 120 tons - at rate of 10 tons
per month.

Regraded Unclassified

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SECRETGROUP II. ContinuedItem 4. - SHIPBUILDING STEEL PLATES, FOR SHIP REPAIR

Amount requested: 12,000 tons - at rate of 1,000 tons per month.

Item 5. - INDUSTRIAL DIAMONDS

Amount requested: \$2,400,000 worth - at rate of \$200,000 worth per month.

Item 6. - RUBBER

Amount requested: 24,000 tons - at rate of 2,000 tons per month

Item 7. - JUTE AND JUTE PRODUCTS

Amount requested: 35,000 tons - at rate of 3,000 tons per month.

Item 8. - SISAL AND SISAL PRODUCTS

Amount requested: 18,000 tons - at rate of 1,500 tons per month.

Item 9. - SHELLAC

Amount requested: 2,400 tons - at rate of 200 tons per month.

Item 10. - WOOL

Amount requested: 24,000 tons - at rate of 2,000 tons per month.

Item 11. - CEYLON GRAPHITE

Amount requested: 1,200 tons - at rate of 100 tons per month

GROUP III. INDUSTRIAL EQUIPMENTItem 1 - MACHINE TOOLS

Amount requested: 6,000 each - at rate of 500 each per month.

Item 2. - COMPLETE STEAM ELECTRIC POWER PLANTS

With an installed capacity up to 25,000 KW each,
total capacity of 150,000 KW

GROUP III., Continued

Item 3. - COMPLETE SMALL STEAM POWER PLANTS

with an installed capacity of 100 - 500 KW each,
total capacity of 25,000 KW

Item 4. - MOBILE STEAM ELECTRIC POWER PLANTS

with an installed capacity of 1,000 - 2,500 KW each,
total capacity of 100,000 KW

Item 5. - INDIVIDUAL TURBO-GENERATORS

with a capacity up to 25,000 KW each,
total capacity of 250,000 KW

Item 6. - STEAM VALVES AND FITTINGS

Amount requested: \$3,000,000 worth

Item 7. - PUMPS

Amount requested: \$2,000,000 worth

Item 8. - COMPRESSORS

Amount requested: \$5,000,000 worth

Item 9. - ELECTRICAL EQUIPMENT

Amount requested: \$14,000,000 worth

Item 10. - MINING, CRANE-EXCAVATOR, TRANSPORTING AND
OTHER INDUSTRIAL EQUIPMENT

Amount requested: \$8,000,000 worth

GROUP IV. QUARTERMASTER GOODSItem 1. - ARMY WOOLEN CLOTH

Amount requested: 3,000,000 yards

Item 2. - RETANNED UPPER LEATHER

Amount requested: 1,000 tons.

SECRET

GROUP V. MEDICAL SUPPLIES

Item 1. - MEDICAL SUPPLIES

Amount requested: \$6,000,000 worth

1. It is understood that the following equipment, such as machine tools, steam power equipment, electrical equipment, forging and press equipment, cranes, excavators and transporting equipment, oxygen plants, testing machines, control and measuring instruments which the United Kingdom Government agreed to deliver to the U.S.S.R. during the Second Protocol period, but the terms of delivery of which equipment extends beyond the term of the Second Protocol, shall be delivered in excess of the quantities requested in the Third Protocol Program.

2. The types of complete steam and mobile power plants as well as electrical equipment should correspond with the types already accepted for manufacture by the British firms for the Union of Soviet Socialist Republics.

3. Food products will be delivered in quantities agreed upon by the respective Governments in accordance with available tonnage.

Original to Mr. Mack 4/7/48

nmc

CONFIDENTIAL

THE PRESIDENT'S SOVIET PROTOCOL COMMITTEE
WASHINGTON

April 5, 1943.

The Honorable

The Secretary of the Treasury

Dear Mr. Secretary:

With reference to my letter to you of March 26, 1943, a request has been received from the Chairman of the Government Purchasing Commission of the Soviet Union in the U.S.A. that the following item under Group II be inserted in the "Program of Requirements for Armaments and Materials for Supply to the U.S.S.R. by the Government of the United States during the period July 1, 1943 to June 30, 1944" (Third Soviet Protocol):

Item: 10,000 tons of bi-metal strip.

Sincerely yours,



J. H. BURNS,
Major General, U.S. Army.

CONFIDENTIAL

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
 FROM Frances McCathran

April 6, 1943

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Farm Parity - The Senate today considers the President's veto of the Bankhead Bill to include government subsidies in parity computations. Despite the President's warning that the measure will unleash "a tornado of inflation," and Senator Hatch's prediction that to pass it over the veto would be "to play right into the hands of John L. Lewis," farm bloc representatives, backed by leading farm organizations, have been rallying their forces in support of the bill. Four major farm groups, the National Grange, American Farm Bureau Federation, the National Council of Farmer Cooperatives, and the National Cooperative Milk Producers' Federation, yesterday issued a joint statement, to keep any of their representatives from wavering, and advised "once more agriculture is to be used as the whipping boy to further appease the wage demands of organized labor and to divert attention from the real source of inflation." The vote today is expected to be an extremely close one, with farm bloc leaders predicting that Administration supporters will be able to muster only 30 votes out of an anticipated 33 necessary to sustain the veto. However, they are reportedly admitting privately that the vote could swing the other way at the last minute by an equally slim margin. Also admitted is the fact that the House, where the farm bloc is not as powerful as in the Senate, would probably refuse to pass the bill over the President's veto. In an effort to stem the tide of inflation, the CPA warned yesterday that the Bankhead Bill, if enacted, would increase retail food costs 6.7%, add one and a half billion dollars to the consumers' annual food bill, and boost by half a billion the cost of feeding the armed forces and the allies. Although the CPA admitted that sugar, wheat, and corn would be the 3 main commodities affected by the Bankhead Bill, yet since corn is a basic feed, increasing its price, according to the CPA report, would inevitably increase the prices of stock such as hogs, poultry and poultry products, beef and dairy products. Meanwhile, the Senate Agriculture

Committee reopens hearings today on the recommended Pace bill to include the cost of farm labor in parity, with Secretary Wickard, Food Administrator Davis, and OFA Brown scheduled as the first witnesses. The Committee was amazed this morning, however, when none of them appeared. Food Administrator Davis, with what Chairman Smith called the best excuse of the three, explained his failure to appear on the grounds that he was still new on the job and thus could be of little immediate help now. Price Administrator Brown also sent his regrets but said he had to meet with a delegation from the west this morning, and Secretary Wickard remarked that since neither of the other two were coming, he wasn't either, but as the Committee met in Executive Session to decide whether to subpoena them, both Wickard and Brown sent word that they were on their way.

2. **Farm Labor** - All phases of "the farm issue" held the stage yesterday on Capitol Hill as the Senate Appropriations Committee increased the appropriation from 21.1 million to 40 million dollars in a House-approved bill to recruit and transport farm workers to labor shortage areas. However, the FSA, now under investigation by the House, was completely eliminated from any part in the spending of the money. The House measure had placed the program in the hands of the Agricultural Extension Service, but since the Davis Food Administrator appointment has been made since that date, the Senate Committee granted authority to administer their appropriation to him, and it is expected that the House will probably concur in this decision.
3. **McKellar bill** - The McKellar Bill, requiring Senate confirmation of Federal employees earning more than \$4,500 a year, will be reported favorably to the Senate today by Senators McCarran and McFarland. Yesterday the Senate Judiciary Committee, considering the measure, voted to include the Tennessee Valley Authority in its provisions, thus reversing their previous action in approving an amendment by Senator Hatch to exempt the TVA from the bill. The charge has been leveled that McKellar's chief purpose in offering the measure was to gain control of the appointments of the TVA, centered in his home state.

~~NOT TO BE RE-TRANSMITTED~~

OFFICE OF THE

SECRETARY OF THE

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1943 APR 7 PM 1

TREASURY DEPARTMENT

COPY NO.

13

EXCLUDED FROM SECRET
U.S. SECRETOFFICE No. 113

Information received up to 7 a.m., 6th April, 1943.

1. M.V.L

On 4th/5th Sunk Head Fort shot down two enemy aircraft while laying in THAMES ESTUARY.

2. MILITARY

TUNISIA. U.S. Sector. 3rd/4th. An enemy counter attack to the South of the GAFSA-GABES road captured some high ground. 4th. US. Forces just North of the road attacked in a south-southeasterly direction and gained a point astride the road but were later forced by heavy artillery fire and tanks to withdraw to their original position. An attack against U.S. positions ten miles east of G. GUSTINE was repulsed. In other Sectors activity on 4th was confined to patrolling and artillery.

RUSSIA. In the KUBAN the lull caused by the thaw has ended and severe fighting has been reported.

3. AIR OPERATIONS

WESTERN FRONT. 4th/5th. R.I.L. Over 87 per cent of Force sent out attacked dropping over 1,350 tons in about 50 minutes. Owing to thick cloud impossible at present to estimate extent of success. Searchlights could not penetrate cloud. A/A moderate, scattered and inaccurate. 137 R.C.A.F., 37 R.A.A.F. and 10 New Zealand aircraft took part. 5th. 65 Fortresses and 18 Liberators attacked aircraft repair works at ANTWERP. Preliminary reports indicate fairly good bombing. Enemy casualties by fighters 2, 1, 5. by bombers (provisional) 11, 6, 4. Allied casualties - 4 bombers, 1 fighter. 12 escorted Venturas attacked BREST Harbour, bombs fell on the arsenal and naval barracks and alongside a tanker in dry dock. Heavy A.A. intense but inaccurate, much fighter opposition. Enemy casualties 1, nil, 4. Ours 4 bombers (one crew safe) and two fighters.

ITALY. 4th. NAPLES. 91 Fortresses from TUNISIA dropped 190 tons on the harbour, airfield and railway centre. One ship destroyed, another set on fire. Two more and a tanker hit. 25 aircraft on ground also hit. All bombers returned safely.

TUNISIA. 4th. Mitchells and Kittyhawks bombed enemy landing grounds destroying 2 aircraft and damaging or destroying 6 on the ground.

SARDINIA. 4th. Escorted Mitchells started fires in the docks area at CARLO FORTE. A coaster and nine small boats were hit.

SICILIAN CHANNEL. 4th. Mitchells set fire to two ships in the channel.

April 7, 1943
10:02 a.m.

HMJr: Hello.

Operator: Mr. LaRoche.

HMJr: Hello.

Chester
LaRoche: Good morning, sir.

HMJr: Hello, Mr. LaRoche.

L: Good morning, Mr. Secretary.

HMJr: Can you hear me?

L: I can very well, sir.

HMJr: Good. Well, I wanted to thank you for all the trouble you went to for getting Mr. Smith and Mr. Albee. They worked out beautifully.

L: Well, I'm glad. I thought they would.

HMJr: Yes.

L: And, of course, I'm pleased that you're pleased.

HMJr: Well, I'm more than pleased that....

L: Smith is a mighty fine fellow.

HMJr: Yes.

L: Absolutely dependable and - and very competent.

HMJr: Yes. Well, it was a very wise choice on your part.

L: Well, that's good and I'm glad you're pleased, and I think you can count on them right along to do things if you find them useful.

HMJr: Well....

L: If you don't, why, just let me know, and we'll....

HMJr: No.

- 2 -

L:get somebody else.

HMJr: There's - there's - well, right now we're sitting here trying to do one. We're - we're up against speeches every day.

L: Yes.

HMJr: Now - so I don't want to wear out my welcome with them, but there'd be - I can use all the time that they can afford to give me. Incidentally, you know I'm going to do this Monday night in Carnegie Hall....

L: Yes.

HMJr:and they've got - all the financial leaders in New York are going to be there....

L: Yes.

HMJr:and I wondered whether you'd care to have a box for yourself and your friends.

L: Well, I'm counting on coming. I - I want to be there to cheer you on, you know....

HMJr: Fine. Well, we'll see that they send you a box.

L: Well, that's very kind of you. I don't need it. I'd just go in with the rank and file.

HMJr: No.

L: It doesn't make any difference to me, but....

HMJr: We'd like to have it, and I'm sure you have some friends that you might want to take.

L: Well, that's fine.

HMJr: They - they'll - they'll send you a box.

L: Are you going to rehearse the speech?

HMJr: Rehearse it?

- 3 -

L: Yes.

HMJr: Oh, I always rehearse it. How....

L: You do. Well, you play it back, do you? So you....

HMJr: Well, I haven't done that, but these men are urging me to - to put it on a record and play it back. I've never done that before.

L: Well, I would do it if I were you. You might - it's a little painful when you do it the first time (laughs) - when you hear your voice, no matter what you think of it, you're a little surprised, but I think it really helps you.

HMJr: Well, we've always made a record and played it back after the speech.

L: Afterwards, yes.

HMJr: But I've never done it before. Doesn't it upset you?

L: No, not at all. Quite the contrary. It kind of fixes it in your mind....

HMJr: Yes.

L:and it helps you to put emphasis where you want to put emphasis.

HMJr: Well, we've - the men urged me last night to do it and we're getting a machine anyway.

L: Yes, well, I would do that. I think....

HMJr: You would.

L:that it's worthwhile.

HMJr: Well, when all you professionals think so, I'll have to try it.

L: And....

- 4 -

HMJr: Well....

L: And if - of course, if there's a good radio man there, he can help a lot and - just with suggesting inflection, suggesting....

HMJr: Well, there are several very good radio announcers down here. Any one of them, I imagine, would be glad to - to listen.

L: Oh, I think that's important.

HMJr: We have - there are two or three very good men that work out of Washington. Raymond Gram Swing isn't bad, is he?

L: Well, I think you need - I - I don't know how good he'd be as a coach. Those fellows are good naturally.

HMJr: Oh.

L: You know, they're good because God made them good.

HMJr: Yeah, I see.

L: The - the fellows that you need generally are the professionals who coach the actors and who have made a study of the business of technique.

HMJr: Well, now I - I've never met that kind of a man. How do you get hold of....

L: Well, I'll tell you the best man....

HMJr: Yes.

L:in Washington today is Donald Stauffer, who is over in O.W.I.

HMJr: Wait a minute - Donald Stauffer?

L: Donald Stauffer - S-t-a-u-f-f-e-r.

HMJr: What - is that "S" like....

L: That's "S" like in "Sam."

- 5 -

HMJr: Stauffer, yeah. Well, Peabody....

L: S-t-a-u-f....

HMJr:is sitting - he's over at O.W.I.?

L: Yes, he was head of our radio department.
He's a boy that went to Princeton. I've known
him for years.

HMJr: Yeah.

L: He's a very intellectual fellow and a mighty
fine fellow, and he's head of O.W.I.'s radio.
He just recently went in there. You'll find
him thoughtful and very keen and very patient
and a very fine fellow to work with, and he'd
love to do it.

HMJr: And you say he's the best coach.

L: He is the best coach that you can get. I can
recommend him because I worked with him for
years in radio, and he helped us build up our
radio department.

HMJr: Well, I'll - I'll contact him.

L: He's coached the best actors in America in
radio.

HMJr: Is that right?

L: Donald Stauffer, yes.

HMJr: Well, Peabody says he knows him.

L: Oh, yes, Stu Peabody knows him well. Of course
he does.

HMJr: He's sitting here.

L: Yes.

HMJr: Well, I - and I'll do that.

L: That's fine, that's fine.

- 6 -

HMJr: Yes.

L: Well, I hope to see you Monday night then.

HMJr: Right.

L: Goodbye and thanks for calling. Right nice of you.

HMJr: Thank you.

April 7, 1943
10:29 a.m.

HMJr: Hello.

Operator: Mr. Lovett.

HMJr: Hello.

Robert Lovett: Good morning, sir.

HMJr: How are you, Lovett?

L: Fine, thank you, sir.

HMJr: Lovett, I had a very good Treasury man spend a couple of days around the Glenn Martin plant finding out why they buy so few War Bonds, you see?

L: Yes.

HMJr: They're about at the bottom of our list, and in going around amongst the workers one of the things that he picked up is that they can't understand why, seemingly, there are a large number of bombers which have been lying around the plant more or less finished for a half a year - why something isn't done with it, you see? Hello?

L: Yes.

HMJr: And they - I mean it seems to have a bad effect on their morale.

L: Yes.

HMJr: And I wondered whether you would care to let me have a report on what that situation is.

L: Why, I'd be very glad to. We, as a matter of fact, have had an inspector up there.

HMJr: Yeah.

L: The - we got an indication from some labor leaders that the - that there were an excessive number of PBY's in the plant, as well as on the finishing mats outside.

- 2 -

HMJr: Well, this report said several hundred, but my - this was just by word of mouth....

L: Yes.

HMJr:from the workers.

L: I don't think that is correct.

HMJr: Well, I don't know, so I'm hesitating using any figure. But there are enough there that they can't understand it.

L: That's right. Now that's a dual-controlled plant. That is, they make both Navy types and Army types.

HMJr: Well....

L: The Army types are flown out of there for modification....

HMJr: Yes.

L:whenever they're ready to fly. The Navy types are not because they don't have a modification center.

HMJr: Yes.

L: So that the report which was submitted to us indicated that the Army types were being cleared as soon as they were fit to fly and that the plant was backing up in the Navy PBM models because of the modifications which the Navy had found necessary as a result of combat service. I'll have the thing checked again.

HMJr: Would you care - this is quite a long report on just the bond aspect. Would you care to see it?

L: Very - I'd like very much to.

HMJr: I'll send it over to you because - I picked this plant because it happens to be about the worst that we have as far as pay-roll deduction is concerned.

- 3 -

L: It's not very good on production either, you know.

HMJr: Well, that I don't know.

L: Yes.

HMJr: But I'll send you this, and then if you'd let me have the other, I'm natur.. - I'm interested.

L: All right, sir. It'll take us a little time to get it because the inspectors that we sent up there are now out in Ohio on another job there.

HMJr: Well, would - would you cover the whole plant?

L: I beg your pardon?

HMJr: Will you cover the whole plant?

L: Oh, yes.

HMJr: I mean you won't just give me Army? You'll give....

L: Well....

HMJr:me the story on the Navy....

L: We'll give you our general impressions of the Navy.

HMJr: Will you do that?

L: Yes.

HMJr: Right, and I'll....

L: And it's somewhat delicate to do, but we'll do it.

HMJr: Well, it's just for me. I - I'm not going to circulate it any more than this I'm sending over to you. I'd like you to use your discretion on it.

L: All right, sir.

HMJr: See?

- 4 -

L: Yes.

HMJr: But I'll have this over to you within the hour.

L: All right, fine.

HMJr: We were over there checking up on War Bonds....

L: Yes.

HMJr:and I ran into the other thing, and I'm still interested in winning the war.

L: Okay. (Laughs)

HMJr: Thank you.

L: All right, sir. Thank you.

HMJr: Goodbye.

April 7, 1948
3:40 p.m.

WAR BONDS

Present: Mr. Gaston
Mr. Gamble
Mr. Peabody
Mr. Wager
Mr. Waldman
Dr. Likert
Dr. Cartwright

DR. LIKERT: We might start first, Mr. Secretary - will you turn to that first chart? (See report attached entitled "Rural Bond Sales in Iowa and Illinois.")

That shows in a nut shell - that first chart - one of the most significant things we have found in this whole sale of War Bonds to farmers, that the sales correspond to quotas.

H.W.JR: Is this something new that you have done?

DR. LIKERT: This is just - the ink is hardly dry.
(Laughter)

H.W.JR: I can smell it. (Laughter)

DR. LIKERT: You notice the Iowa and Illinois quotas for 1942, and here is the sales almost actually parallel to quotas. If you take the purchasing power of the two States on number of different economic indices, the Illinois, you will find, is way below - the quota is way below the purchasing power. The four counties that we studied showed the same type of pattern. That is a second table back in the report, opposite Page 13.

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Actually the Illinois counties we were in had a slightly higher economic level than the Iowa counties, and yet the sales almost identically paralleled the quotas. So the experience that it seemed to show - first of all, the campaign in Iowa seemed to be more effective in reaching more farmers than the campaign in Illinois; and secondly, with a higher quota, the farmers in Iowa bought substantially more bonds than was the case in Illinois.

Approximately about thirty-seven million dollars in purchasing power in Illinois wasn't sucked into war bonds that might have been used the same effective campaign been carried on in Illinois that was carried on in Iowa.

H.M.JR: Now, what do you deduce from that? I don't get your deduction.

DR. LIKERT: Our deduction is this, that the quotas in Illinois ought to be materially raised - substantially raised.

MR. GAMBLE: The farm quotas.

DR. LIKERT: This is the bond quotas for rural counties, for farm counties.

H.M.JR: Who fixes the quotas?

MR. GAMBLE: In Iowa, Dr. Secretary, we have experimented with a plan for farmers--

H.M.JR: Louder, please.

MR. GAMBLE: In Iowa we have experimented with a plan for farmers that has exceeded our fondest expectations. We have established individual quotas for the individual farmer, and have sent committees in to sit down and work with the farmer and figure out how much he can afford to put into War Bonds, instead of arbitrarily fixing a quota for a county. We have set a quota for farmers, based on their production - how many pigs - the amount of pigs compared with last year, and so on.

- 3 -

R.M.JR: Who, Bill Myers?

DR. GABLE: It is a product of Vernon Clark in Iowa, big and large.

R.M.JR: Why does that name sound familiar?

DR. GABLE: He is our administrator in Iowa.

R.M.JR: Do you get from this - if you raise the sights, that people respond? Is that it?

DR. LIBERT: Yes, I think that, clearly, several things - one is that if you raise the sights and if you follow through the type of Iowa campaign where you have these quotas worked out in terms of purchasing power - the hogs he is selling - and that type of thing, and you give the person who is making the call in face-to-face contact, it is all important.

The people that are called upon buy substantially more. Of the people that weren't called on, only thirty percent of them bought bonds. Of the people called on, it was something over seventy percent of the people who had bought bonds - eighty percent. So your face-to-face contact is terribly important.

Give the person in face-to-face contact some goal toward which the person can shoot in terms of saying, "Bill, it looks like your share - let's sit down and work it out." Then you get substantially larger bond sales depending a bit upon how the quotas themselves are set.

In doing this, there are some problems. We found, for example, Tables 31 and 32 - 30, 31, and 32 at the very back of the report, it is rather striking that in Iowa, twenty-six percent of the farmers said that they were told what to buy, whereas in Illinois only one percent of the farmers talked in those terms, where it was about equal in terms asked.

That apparently reflects itself in a certain amount of resentment. Some resentment was expressed toward the campaign workers - some or much - by thirteen percent of the farmers in Iowa, and only one percent in Illinois.

And on the next table, 32, twenty percent of the farmers expressed some or much resentment with respect to his size of the quota, against one percent in Illinois. So there is a little danger that that would have to be watched for in terms of how it is presented and the steps that are taken. But certainly it can help materially in signing off inflationary dollars and in increasing the amount of bond sales to farmers.

Some of the reasons why farmers are buying bonds - the chief reason given was, first of all, the government needs the money, by half the farmers; and forty-one percent of the farmers mentioned some personal or farm financial reason for a savings or investment. Three percent mentioned to prevent inflation.

But one of the most significant things in that connection was that far more of the farmers in Illinois and Iowa were conscious of the danger of inflation than among any other group of people we have ever worked with.

The difference between urban groups and those farmers was just tremendous on the danger of inflation. When we asked them why the government wants farmers to buy bonds, eight-four percent said the Government needs the money and fifteen percent mentioned to curb inflation, but this fear of spiral--

M.J.J.: Let me interrupt you. You said they are conscious of inflation, but only fifteen percent of them think that buying bonds is one of the ways to curb inflation.

DR. LIKERT: That is right.

M.J.J.: Well--

DR. LIKERT: Fifteen percent mentioned it. That is a much higher proportion than in urban groups. And their reasons - for example, eighty percent of the farmers in Iowa and Illinois are satisfied at the present time with farm prices, and one of the reasons why they don't want farm prices to go on up is this inflationary spiral.

H.M.JR: Herbert, I think - of course, I think that this thing ought to be put into the hands of somebody who is fighting on this bill. Will anybody in the Department of Agriculture - I would love to have you tell this to - I wonder who is telling this - would it be Chester Davis, or who would it be?

MR. GASTON: The fight on the Rankhead bill?

H.M.JR: I think Barkley would like to know it.

MR. GASTON: Yes.

H.M.JR: What is Barkley's clerk's name? In this last thing you told me - was it eighty percent satisfied with their prices? What is this clerk's name?

MR. GASTON: Biffle.

H.M.JR: You (Likert) would be available later today, if necessary, for them?

DR. LIKERT: I could. Tomorrow would be better.

MR. GAMBLE: OWI have just completed a survey that shows the same thing out in Washington, Indiana.

H.M.JR: I will make you a bet they haven't put it in the hands where they need it in the front lines.

MR. GAMBLE: I am certain of that.

H.M.JR: It is similar to this?

- 6 -

MR. GAMBLE: Where the farmers said they were not only pleased with the prices that they are getting, but where it is going to be a hardship on them, they are certainly going to meet all the food quotas set for them. They will produce the food.

H.M.JR: For what States?

MR. GAMBLE: This was a survey made in Washington, Indiana.

H.M.JR: By whom?

MR. GAMBLE: OWI.

DR. LIKERT: I haven't seen that particular thing.

MR. GAMBLE: It is just new. I had lunch with Kuhn, and he was telling me about this report.

H.M.JR: Why not get it? Why not--

MR. GAMBLE: That is just one of many things that went out, that they covered in this survey.

H.M.JR: This will do just as well.

MR. GAMBLE: It is the same idea, but it is general.

DR. LIKERT: Here is a separate memorandum that deals only with the price, in case you would like that as well. (See memorandum attached regarding farm prices.)

Incidentally, we have just finished a study on dairy products and find the same picture there. There is a surprising amount of satisfaction with prices. And for the first time, farmers are saying that prices for consumers are getting as high as they ought to go. This is the first time in all the work we have done, where we had the farmers saying that prices to consumers are about as high - six or eight or ten percent of farmers are beginning to mention that. So you are getting - the city cousin is now beginning to talk back to the country cousin in terms of this price situation.

(Mr. Gamble left the conference temporarily.)

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That dairy material I have given to Ben Cohen, Byrnes, and some of those people.

H.M.JR: You have?

DR. LIBERT: Yes, I have.

H.M.JR: Have you given them this? (Indicating report attached.)

DR. LIBERT: No, we haven't. This is just off the--

H.M.JR: Will you give it to Ben Cohen?

DR. LIBERT: I shall be delighted to.

Now, it is rather striking about plans for use of money obtained from cashing in bonds. We asked farmers why - what they are planning to do - any special plans for using bond money. Fifty-three percent had no plans, so that the bonds hadn't been built financially into their lives in terms of the reasons for buying. Long-term savings such as trips, education for the children, and things like that were mentioned most frequently; that was fourteen percent. To invest in land or home is twelve percent; farm improvements, six; pay off debts, six; help against postwar depression, three; consumer goods, one; postwar purchasing power, two; farm equipment, one.

H.M.JR: In your pre-Treasury life this should have been very interesting to you.

MR. PEARBODY: Yes.

H.M.JR: Did you get my tenses?

MR. PEARBODY: Yes.

H.M.JR: "Should have been." (Laughter)

MR. PEARBODY: I think the Co-op's have had a good deal of effect on that opinion, don't you?

- 3 -

H.M.Jk: Of this opinion?

MR. PEABODY: No, not what he is talking about, but to get back into my pre-Treasury life for a minute, the feeling that there is a limit beyond which it is not sound to raise prices to the consumer.

H.M.Jk: Not at present. I think as near as I can get, the Co-op's are amongst - the dairy Co-op's and their representatives here are amongst the main people fighting for increase in these bills.

MR. PEABODY: They are?

H.M.JR: I think so. Do you know about that?

DR. LIKERT: You have a rather sharp difference between organizations like the National Dairy Co-op, or whatever it is, and the Dairymens' League, and large national organizations of that type which are pressing along with the Farm Bureau and the Grange for higher prices, and a lot of the smaller cooperative creameries scattered all over the country, which are most likely to take the position that prices are pretty good.

H.M.JR: I am particularly sensitive. At the farm over the week end I got between a very large buying Co-op, and a very small local Co-op, and the big one tried to grind me out as between the two. (Laughter)

I raised such a damned holler that they quickly drew in their horns. Very interesting. I mean Co-op's that buy rather than sell. I got between two of them and did I yell! (Laughter)

(The Secretary held a telephone conversation with Mr. Biffle, as follows:)

April 7, 1943
3:53 p.m.

Lealie
Biffle:

Yes, sir, Mr. Secretary.

HMJr:

I take it you're still interested in some statistical information showing the farmers are satisfied with prices....

B:

Very much....

HMJr:

....that they're getting?

B:

Very much so.

HMJr:

Well, Dr. Likert - L-i-k-e-r-t - of the Department of Agriculture did a survey for the Treasury in Illinois and Iowa....

B:

Uh huh.

HMJr:

....on War Bonds, and in connection with that he went into the question of prices, and he has information -- he's sitting here with me -- that 80% of the farmers in Illinois and Iowa are satisfied with the present price structure.

B:

Uh huh.

HMJr:

Hello?

B:

That would be very interesting to have.

HMJr:

And I thought that if - if you'd like to have him put it into your hands for the Senator, he - he'd be glad to do it.

B:

Yes, I'd like ever so much to have it.

HMJr:

Well, now how and when - how long do you work tonight?

B:

Oh, we'll be here until 5:30 or 6:00.

HMJr:

5:30 or 6:00.

B:

That's right.

HMJr: And what room?

B: Just come to the Senate Chamber. We'll be in session until 5:30 or 6:00, because we're going to take up on the Farm Appropriation Bill....

HMJr: Well, I mean should he go to Colonel Halsey's room and ask for you?

B: Yes, that'd be better.

HMJr: Just....

B: And after awhile we'll take Senator Barkley out there and we'll talk to him.

HMJr: Well, I'll - I'll have him come up there and then go to Colonel Halsey's room and ask for you.

B: That's fine. Thank you very....

HMJr: Because I thought this - well, the stuff is so new the ink hasn't even dried on it. I can smell it.

B: Oh, well, that's fine. That would be very worthwhile.

HMJr: And I thought that particularly Illinois and Iowa....

B: Yes, because Gillette has just finished making a speech on that same subject.

HMJr: Well, here's some stuff that is absolutely fresh from the field.

B: Fine. Well, thank you very much, Mr. Secretary.

HMJr: I hope....

B: Glad to have it.

HMJr: Thank you.

B: Goodbye.

DR. LIBERT: We asked the interviewers to make an estimate as to whether or not the individual can buy more bonds, and that, of course, is a bit of a hazardous estimate, but we thought we might get some rough appraisal on what the probability was of increased bond purchase among these farmers and among those who are now buying bonds - about forty percent - forty-two percent - of the farmers who are judged to have economic resources and purchasing power, to buy more bonds than they are buying. But a third of the group who are not buying bonds were judged to be in the position of being able to buy some bonds.

So from the standpoint of at least talking with these people for anywhere from forty-five minutes to an hour and a half, and discussing the whole bond situation, you have this feeling and it isn't too precise. I mean, the economic data on purchasing power of the counties, I think, is a more valid thing, but nevertheless, it is suggestive. And about a third of the farmers - two-fifths - are appraised by the interviewer of being able to purchase more war bonds.

The chief competitor, at the present time, for purchase of bonds, as far as we were able to estimate it, is payment of debts. That stands at about forty percent of those who are buying bonds and fifty-three percent of those not buying bonds. That seemed to be the major factor competing with bonds. Livestock increases and improvement was fourteen and fifteen percent, respectively, of the buyers and non-buyers. Land purchase was eight percent among the buyers and two percent among the non-buyers. Consumer goods and various other things dropped off there to about three and four percent - farm equipment, savings, income taxes, and so on.

H.M.JR: Can I interrupt you a minute? I don't know how you happened to come to do this one, but I am delighted you did. Are we paying for this?

DR. LIBERT: Yes.

H.M.JR: Gamble would know. How did this one come into being?

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DR. LIKERT: Lloyd Partain and Mr. Odegard suggested that we do it.

H.M.JR: I was just thinking of this. You see, we start this drive on the 12th. Could your men in the field act as sort of listening posts for us, to see how this drive is going - where we are falling down? Could we give you a retainer again to do that?

DR. LIKERT: Perfectly willing.

H.M.JR: Scatter your men in the forty-eight States. Have you got something on?

DR. LIKERT: We won't be able to cover all forty-eight, but Nevada, Wyoming, and some of those States won't mean too much to you, anyhow. We certainly could cover the major States.

H.M.JR: If you could do that--

MR. PEABODY: It would be splendid.

H.M.JR: Because Dr. Likert's work is best, and tell these fellows they would have to use airmail on their reports. You see, to be listening posts for us - where it is good and why, and where it is bad and why.

DR. LIKERT: I will be very happy to do that.

H.M.JR: I think that would be wonderful.

DR. LIKERT: That starts April 12?

H.M.JR: Yes. Who makes the financial arrangements with you?

DR. LIKERT: I think Mr. Thompson is the person you arranged with last time. He checked with Mr. Jump, of Agriculture.

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H.M.JR: Shall I have Thompson come in before you go and tell him to do it? What do you think?

MR. PEABODY: I think it would be splendid, Mr. Secretary.

H.M.JR: But then we would have it come in, not to me, but - Mr. Robbins was here - let the stuff flow in to him. I think that would be very useful. What do you think, Herbert?

MR. GASTON: I think it would.

H.M.JR: This is good.

I think others will want to see you longer, but I am a little pressed, as usual.

DR. LIBERT: The percentage of income spent for bonds - this is based upon the study that you asked Mr. Odgaard to have made the last week in March, or thereabouts, so we rushed through it, and this is the first one coming in now.

The distribution of ownership of bonds runs about the same except that those owning less than six percent dropped off slightly; those owning six to ten is going on up because of pay-roll deduction and the ten percent objective on the pay-roll deduction.

DR. CARTWRIGHT: This is purchase rather than ownership.

DR. LIBERT: That is right. The proportion of people who are putting that much in. Eighteen percent were putting less than six percent of their income into bonds last September; now it is only fourteen percent putting less than six percent in. Twenty-three percent owned no bonds at that time; now it is twenty percent. Those putting six to ten percent has jumped from thirty-one to thirty-six; over ten percent has remained about the same.

H.M.JR: Pretty low, isn't it?

Dr. LIKERT: There is a lot of evidence that your quotas act as an incentive upward, but also act as a depressant downward. I think one of the real problems is to work out a presentation which will not act as a depressant, that will push it up and then continue on up. We have got some suggestions there that we have made.

H.M.Jr.: I would like very much - I think you and Robbins ought to sit down with Mr. Likert and give him time. Will you arrange it?

Mr. PEABODY: Yes, we would like very much to.

H.M.Jr.: I mean, I would tell Robbins that I very definitely would like him to sit down with him for whatever it takes - an hour or two hours - what do you want?

Dr. LIKERT: I should think an hour would be more than adequate - half an hour, and whatever additional time is necessary based on that preliminary discussion. The method of bond buying is a rather significant shift there in Table 2. Those people who were buying under a regular plan of their own, twenty-three percent last September, dropped to ten percent in March, and the chief impact is taxes - income taxes - but also this whole business of the cost of living going up. Those shifted over to some irregular plan, not buying as much in the way of bonds. Your pay-roll deduction people have gone on up.

The next table three is one of the most significant things that we have found in this March study. We found in talking to people for about forty-five minutes - thirty-five or forty-five - that people would indicate how they felt about bonds without necessarily asking any question about fear of non-redemption. It would come out in one way or another - they would indicate. Last September two percent actually indicated that they were fearful that bonds would not be redeemed. That has jumped to five percent. And where it was five percent last fall - where other people are afraid bonds won't be redeemed - that has now jumped to sixteen percent. We checked - Dr. Odgaard has a copy of a report from the Senior Clinic at Boston -

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one of the things circulated is this rumor that the bonds will not be redeemed. We checked with the Foreign Broadcast Intelligence Service. That has been one of the major themes that the Nazi propagandists have been hammering on, this danger of non-redemption of bonds in the financial structure of the United States.

H.H.JR: I didn't know that.

DR. LIKERT: And it reached a peak about three months ago. It has dropped off a bit since then.

H.H.JR: That stuff ought to come in to me when I am giving a speech.

DR. LIKERT: I think it suggests that some copy ought to be directed very definitely to this business of--

MR. PEABODY: To this thing, yes.

H.H.JR: It is news to me. Did you know it?

MR. PEABODY: No, sir, I didn't.

H.H.JR: I didn't, either.

DR. LIKERT: It is greatest in the Middle West, it is a little less on the West Coast - twenty-nine percent, and drops off to twenty-two percent, New England; sixteen percent, Middle Atlantic; and ten percent in the South.

There is some indication, in fact, that it tends to run parallel with the irritation with, and dissatisfaction with, a lot of other Governmental activities such as rationing, and food shortages, and things of that kind. You get generalized resentment which seems to carry over.

It also tends to be greater - explain table 5. This is the first time I have seen this.

- 14 -

Dr. CARTWRIGHT: In interviewing these people, we asked them how they decided what percent of their money to put into bonds. There are two groups that you can distinguish. One is, "We decided after looking at our own financial condition how much to put into bonds," and the other group said, "We are buying what they ask us to buy." In other words, the people who - your quota people - versus those who decided themselves.

This Table 5, people who are buying what they were asked to buy, if that was a high amount, over ten percent - they are now the most fearful group that bonds will not be redeemed. They have sunk a lot of money into it and they have been pushed to do that, and they are now the most fearful group.

The second most fearful group is the people who have decided themselves to buy less than five percent. In other words, they have already now done something about it, so that their purchases are low.

H.M.JR: I am going to have to stop now, but I would like very much if you would arrange with Mr. Peabody and Mr. Robbins.

Mr. PEABODY: I will get in touch with Dr. Likert.

(The Secretary held a telephone conversation with Mr. Thompson.)

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

ATTITUDES OF IOWA AND ILLINOIS FARMERS
TOWARD FARM PRICES

MEMORANDUM

For Administrative Use Only

April 7, 1943

Program Surveys Division

ATTITUDES OF IOWA AND ILLINOIS
FARMERS TOWARD FARM PRICES

This memorandum presents the attitudes of 221 representative Iowa and Illinois farmers toward present farm prices. These attitudes were obtained in answer to two questions on a recent survey (as yet unpublished): "What do you think about farm prices now?" and "Do you think it would be a good idea for the prices of farm products to go much higher?" Most farmers needed little encouragement to answer and discuss these questions in some detail. Most of them presented not only their point of view, but also their reasons for holding it.

Eighty percent do not want
general farm prices to go higher

Relatively little demand for higher prices is found among Illinois and Iowa farmers. Four-fifths of those interviewed indicated that they have no desire for farm prices in general to go higher than they are at present (Table 1), although about a quarter of these qualify their statements by mentioning conditions which they believe would justify future increases. Eighteen percent were obviously satisfied with the present level of prices but gave no specific reasons why prices should not go higher. Two such cases are illustrated in the following quotations.

"I'm tickled pink the way they are now. All farm prices are very good."

"I figure if I can't make money out of farming now, I'm doing the country an injustice by staying on the farm."

The reasons which other farmers give for keeping farm prices from going higher show that many farmers are thinking of their own welfare from a long-term point of view. Boom-time profits now might be very acceptable from one point of view, but they could not compensate for the drop which many farmers feel is the inevitable follow-up to abnormally high prices. Eighteen percent mentioned or described inflation as an undesirable consequence of higher prices, and an additional 12 percent mentioned the drop which could be expected to follow excessively high prices. The experience of many farmers with the post-war depression of 1921 and the post-boom depression of 1933 is evident in their answers. One gains the definite impression from the interviews with these farmers that they would sacrifice a great deal of temporary profit for long-term stability and security.

Table 1: Attitudes Toward Present Price Level

<u>Prices should not go higher</u>		
No reason specified	18	} 58%
Higher prices will cause inflation	18	
If they go higher the drop later		
will be bad (like last war)	12	
Non-farm consumer suffers	0	
Other prices should come down	2	
<u>Prices should not go higher - conditional</u>		
Unless prices of things purchased rise	17	} 22
Unless labor costs on farm go higher	3	
Unless taxes go higher	1	
Unless defense workers' wages go higher	1	
<u>Prices should go higher</u>		
Because prices of things purchased have		} 17
not been kept in line	10	
Because farm labor costs are so high	3	
Because defense workers get paid so much	1	
In order to increase production	1	
In order to make it possible for farmers		
to pay debts	1	
No reason specified	1	
Not ascertainable	3	
	<u>100%</u>	
	N=221	

In addition to those farmers who oppose further price-rises on the basis of a long view of their own welfare, there is a smaller group which shows a genuine interest in the effects of high prices on non-farm consumers. For some, this concern about reduced consumption is in part concern about the reduced demand for what a farmer has to sell (rather illogical at the present time), but a number of farmers show an understanding of the effects of rising prices on those who live in cities on relatively fixed incomes.

Some of the reasons farmers give for not wanting price rises are illustrated in the following quotations:

"No sir, I don't: I think they're all right like they are. Some farmers would like to see hogs up to \$25 a hundred, but not for me.

"I always figure if prices go too high they'll have to drop later on. I don't want to go through again what I did a few years back, when we were just able to make expenses and a living off the farm and that was all. Maybe the corn farmers think different than I do about prices, but for a livestock farmer like me I think prices are high enough right now. If they'll keep prices at present levels it will be all right."

"No, I don't think prices should be any higher than they are now. This is no time for us to be making a lot of money; what we have to think about is getting enough food for the boys who are sacrificing a lot more than we are in the service."

(Do you think it would be a good idea for the prices of farm products to go much higher?)

"I don't believe it would because if they go much higher labor will want more money and if they get it then we will want more and that is the way it goes."

"Have you ever been drunk? Drunk so that you felt it the next morning? That's what happens when wages and prices start chasing each other around in a circle. It's a horse race and it's no good for anybody. I think it would be better if hogs was 12 cents. No, I don't want to see skyrocket prices."

Present satisfaction with prices depends for 22 percent on other conditions remaining the same

Although most farmers are satisfied with farm prices now, about a fifth of those interviewed indicated that their satisfaction with

present prices was contingent upon other prices and wages remaining in line. The parity concept was evident in their opinions. Most of their concern was about possible future increases in living and operating expenses. A future increase in the prices of things the farmers have to buy was most frequently mentioned as an adequate justification for future price rises. Farm labor costs were mentioned by three percent and a very small proportion mentioned taxes. A factor not directly related to farm expenditure, namely, increases in defense workers' wages, was mentioned as a justification for future farm price rises by only one percent of the respondents.

Seventeen percent want
Farm prices to go higher

Less than one-fifth of the farmers interviewed indicated a demand for higher farm prices. The reasons given for this demand largely involved the assertion that the conditions mentioned in the previous paragraph - prices of things a farmer purchases, farm labor costs, and defense workers' wages - were already out of line with farm prices. These three conditions are mentioned with almost equivalent frequencies by two groups. One indicates that if these factors get out of line, then farm price increases would be justified, while the second group demands price increases now, basing this demand upon the assertion that these conditions are now out of line with farm prices.

Quotations from farmers who want higher prices follow:

"According to everything else, it ought to be higher. I mean according to the stuff you have to buy and according to what people are getting in factories. Well, if they keep the other stuff down like I said, it don't make much difference. But if other things is raised, then the prices should go higher. There's too much difference now between what you've got to buy at the store and what raises the farmers got so far. People don't realize what it costs to farm. There are fellows in town who think it costs nothing to put our your crop and tend it."

"Well, I don't know. They could stand to go higher the way we have to buy things. That's one reason farmers are leaving the farm, because they can't pay enough to keep their hands on the farm."

"I think they ought to go higher unless they put the other stuff back equal with it."

The relationship between farm prices and other economic factors, especially those most directly affecting the farmer, is obviously playing a large part in the farmers' attitudes toward prices. However, it is clear that at present the opinion that farm prices are out of line with other prices is limited to relatively few farmers in Iowa and Illinois.

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

RURAL BOND SALES
IN IOWA AND ILLINOIS

For Administrative Use Only

Study 60
Report No. 39

Program Surveys Division
April 6, 1945

Dollars
in Millions

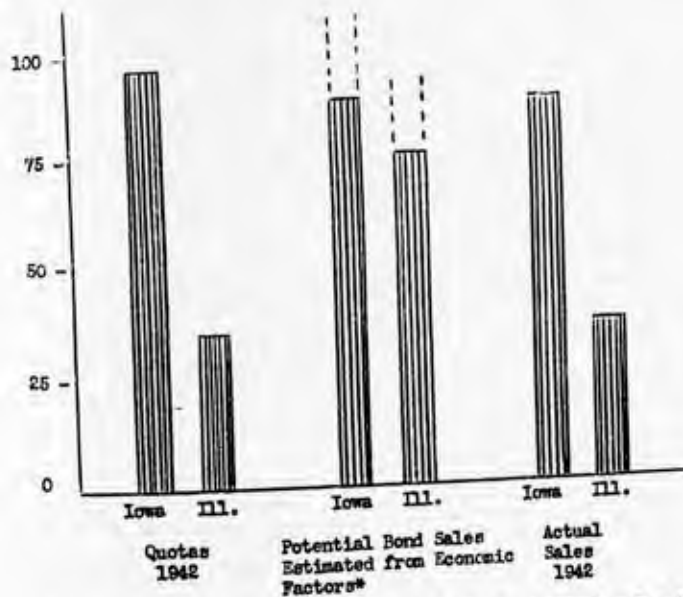


Figure 1. Total quotas, potential bond sales, and actual sales for all rural counties in Iowa and Illinois.

* Potential sales (solid bars) are calculated on the basis of the relation between economic factors and bond sales in Iowa in 1942.

The dotted portion represents an indefinite addition which is added on the assumption that 1942 sales do not represent the maximum possible.

THE REPORT IN BRIEF

THE LARGE DIFFERENCE BETWEEN
RURAL AREAS OF IOWA AND ILLINOIS
IN WAR BOND SALES IS NOT DUE TO
ECONOMIC DIFFERENCES

Although the Iowa and Illinois counties in this study are of equivalent economic level, bond sales for 1942 in the Iowa counties were two and one-half times as great as in the Illinois counties. A similar difference is found for rural counties in the two states as a whole.

REASONS FOR THE DIFFERENCE

1. A major reason for the difference in sales is the difference in county quotas which are considerably more than twice as high in Iowa as in Illinois. Bond sales correspond much more closely to quotas than they do to the potential bond sales which are estimated from economic level of farmers in the two states.
2. A second important cause of the greater sale of bonds in Iowa is that considerably more farmers in that state were personally asked to buy bonds by members of the local campaign.
3. In addition to the difference in the number of farmers who were approached through the local campaign, there was considerably greater pressure for large bond purchases put upon farmers in Iowa.
4. Other differences between the states which account in part for differences in bond sales are found in the attitudes of the farmers. Farmers who are worried about their own post-war economic security react in the traditional way by putting every extra penny into paying off their debts. The tendency to do this, which is one of the strongest deterrents to bond-buying, is much more common in Illinois.

PRESENT ATTITUDES OF IOWA AND ILLINOIS
FARMERS TOWARD WAR BONDS

Farmers are Sold on the Value of
War Bonds to the Nation

Iowa and Illinois farmers have been sold very effectively on the idea of War Bonds as a use for their excess income. Few fail to mention War Bonds when asked what they believe to be good uses for

their money. They give the same reasons for buying bonds that have been stressed in War Bond publicity - "The Government needs the money", "We must buy bonds to help win the war", "War Bonds are a good investment", etc. Some of the farmers have been inspired by the publicity to the extent that they have bought bonds of their own accord, but many of them have not. The farmers who have not bought bonds say that they have inadequate income or that they have debts to pay.

It is true that low economic level is often justifiably a deterrent to bond-buying and that the payment of debts is the major competitor for War Bonds. However, many farmers who do not buy War Bonds spontaneously and who say they have inadequate income or excessive debts can buy bonds. This is evidenced by the fact that many of them do buy bonds when they are approached personally by workers on local war savings campaigns. Contact with the local campaign workers was found to be the most effective factor in causing farmers to buy bonds.

Attitudes Deterring Bond-Buying Not Sufficiently Stressed in Bond Publicity

Since War Bond publicity is so widespread at present, it is impossible to determine how effective the sales approach by minute men would be without the background of favorable attitudes toward bonds which advertising techniques have produced. However, it should be pointed out that attitudinal factors which show the greatest effect as deterrents to bond-buying have not been given a large place in the nation-wide publicity campaign, although they have been stressed to a greater extent in local campaigns.

Farmers not Sold on Value of War Bonds to the Farmer

Some farmers who have pressing debts believe that they should buy bonds in addition to paying on their debts in order to have a backlog of relatively liquid assets to apply to their debts later, perhaps when their income is lower. But many others do not have this point of view and do not buy bonds. It is significant that farmers who are worried or uncertain about their post-war situation are less likely to buy bonds than those who are not worried. Apparently there is a considerable group of farmers who have debts and who anticipate a reduced income after the war. Their method of meeting this situation in this period of high prices is the orthodox one of putting every extra penny into paying off their debts. They have not been sold on the function which War Bonds can play in meeting the situation. One gains an impression from the interviews themselves, which is difficult to find in explicit form, that some farmers think of the purchase of War Bonds as being in the

nature of a contribution as they might make to the Red Cross, or even as spending. The necessary emphasis on patriotism and "doing one's part" probably contributes to this. It seems likely that many of these farmers would be very willing to "do their part" if they were convinced that they would not suffer by it.

Concerns About Redeemability of Bonds Not Covered

There is very little indication that failure to buy bonds is due to a lack of faith in the redeemability of War Bonds after the war. Relatively few farmers mention this possibility. It is an interesting commentary on the effectiveness of the patriotic emphasis in War Bond publicity that several of the farmers who express uncertainty about the full redeemability of War Bonds have bought bonds and are willing to consider them as their contribution toward winning the war if necessary.

More Intensive Campaign in Illinois Would Increase Sales

The difference in bond sales between Iowa and Illinois is too great to be reasonably accounted for on the basis of the relatively small economic differences between the rural areas of the two states. It is apparent that increasing the intensity of the Illinois campaign would increase bond sales in that state. This might be done by increasing the amount of rural county quotas and by making sure that all farmers were asked to buy bonds either at meetings or during personal visits by minute men.

The other factors which differentiate Iowa and Illinois are the proportion of farmers who put greater emphasis upon payment of debts than upon bond-buying and the proportion who are worried or uncertain about their post-war economic situation. This may or may not be a result of the differences in the Iowa and Illinois local campaigns. The Iowa campaign has certainly put a great deal of emphasis upon the part which War Bonds can play in protecting the farmer as well as the nation against effects of the post-war adjustment period, and it has provided a rationale for bond-buying by farmers who have debts to pay. In any case, a great deal of resistance to bond-buying which is found in Illinois may be attributed to the tendency of Illinois farmers to meet the uncertainties of the future by the orthodox method of putting the payment of debts before any other form of expenditure. An attack upon this point of view by forcefully showing farmers the part which War Bonds can play in staying off the effects of future low prices would probably produce a considerable increase in bond sales among Illinois farmers. It would certainly reduce sales resistance which the state.

RECOMMENDATIONS FOR INCREASING
BOND SALES IN RURAL COUNTIES

1. Increase the quotas for rural bond sales. This should materially increase bond sales in Illinois where present quotas appear to be acting as an upper limit to bond sales. However, since it would be necessary to more than double present quotas in most counties in Illinois to take advantage of their bond-buying potentialities, some kick-back might be expected. Another alternative to avoid this difficulty would be to adopt some other method of stimulating and allocating the amount of bond sales which would not limit sales in the way present quotas do.
2. Approach every farmer personally and ask him to buy. Many farmers who have not been contacted personally in Illinois will buy if they are asked. This includes many farmers who do not appear to be good prospects because of apparent low economic level.
3. Educate the farmers to the value of War Bonds as a hedge against possible post-war depression. Many of them do not see any advantage to having relatively liquid assets in the form of War Bonds while they still have debts to pay.
4. Decrease the relative emphasis upon patriotic reasons for buying bonds in War Bond publicity. Present emphasis upon purchasing War Bonds as a patriotic act has been done well - it has laid a background of attitudes favorable toward buying bonds as a socially desirable act. However, it carries the implication, or at least the implication has been accepted by many farmers, that bond-buying is in the nature of a patriotic sacrifice. A remedy for this is suggested in the following recommendation.
5. Increase the emphasis in War Bonds publicity upon the value of bonds to the farmer. A farmer who believes he is making a sacrifice when he buys bonds to help the Government is not likely to be enthusiastic about large quotas. Many specific applications of this recommendation are to be found in the publicity now being put out by the Iowa War Savings Staff. They describe War Bonds in terms of liquid assets, as depreciation reserves, and as means of meeting future debt payments.

The first three of these recommendations are specifically based on differences between Iowa and Illinois. The others apply in Iowa as well. However, it is likely that application of these recommendations will facilitate bond sales in other rural areas in proportion as their rural economy is similar to that of Iowa and Illinois.

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INTRODUCTION

The War Savings Staff has known for some time that rather large differences in bond sales exist among rural counties from state to state over the country. The purpose of this investigation is to isolate and to study some of the major factors influencing bond-buying among farmers and, thus, to account for some of the differences in sales now known to exist.

In order to eliminate gross differences in economic level and in major agricultural enterprise, this investigation is confined to counties in Iowa and Illinois. These two states have been selected for study because, despite their gross similarities, large differences between them exist in the sale of bonds in their rural counties. Farmers in each state were interviewed to determine the attitudinal background against which the bond campaign is being conducted and to appraise the effects these attitudinal influences and other factors have upon bond-buying.

Four counties in Iowa were equated for economic level with four in Illinois on the basis of (1) average value of land and buildings, and (2) average rent. Each pair of counties was selected approximately at the median of each quartile of economic level so that all levels are represented. In order to limit the study to rural counties, all counties (1) adjacent to counties containing metropolitan areas, or (2) containing cities of over 10,000 population were excluded from the group from which the sample was selected. The counties included in the sample are: Benton, Grundy, Taylor, and Union counties in Iowa, and Brown, DeWitt, Moultrie, and Wayne counties in Illinois.

A total of 221 intensive interviews was taken between February 11 and 27, 1943. Of these, 114 were in Iowa and 107 in Illinois. Seventy-five percent of the interviews in each state were with farm operators and the remainder were with wives of operators. The number of interviews in each county ranged from 25 to 31.

I. FARMERS' ATTITUDES TOWARD WAR BONDS AND WAR BOND COMPETITORS

The purchase of War Bonds is just one of the possible ways in which farmers may dispose of the excess income which most of them have at the present time. The other outlets are many and include retirement of debts, purchase of land, livestock increase, farm improvement, etc. This section contains information on farmers' attitudes toward War Bonds and other possible outlets for their excess income which are in competition with War Bonds.

The Purchase of War Bonds is the Most Favored Outlet for Excess Income

The idea of putting money which cannot be used to purchase consumer or producer goods into War Bonds is very widespread among Illinois and Iowa farmers. Nearly half of those interviewed indicate that the purchase of War Bonds is the best use they could make of their money (Table 1), and 86 percent of them mention War Bonds among their first three choices (Table 2). This emphasis on War Bonds is quite spontaneous, since no reference to War Bonds or any other specific use for money was made by the interviewers prior to the question on which Tables 1 and 2 are based. That this preference for War Bonds is not mere lip-service is indicated by the fact that 77 percent of the farmers interviewed have actually purchased one or more bonds.

Payment of Debts and Increase of Livestock also Favored

The payment of debts and increase in livestock are the only other outlets considered as the best use for excess income by more than 5 percent of the farmers. Payment of debts is the most preferred use for 29 percent of the farmers interviewed, and increase in livestock is favored by 9 percent. Of the farmers who have not bought bonds, more prefer to pay off their debts and increase livestock than prefer to buy War Bonds (Table 1).

When second and third preferences for use of excess income are combined with the "best" use, there is little change in the order of importance of the various alternatives (Table 2). One exception is the purchase of land, which is found among the first three choices as frequently as is the increase of livestock.

The competitors for bonds will be discussed in more detail in a later section.

* Tables are in Appendix

National Economic, Personal
Finance, Patriotic Reasons
Given for Buying Bonds

The interview schedule did not include a direct question on why the respondent had or had not bought bonds. The reason for buying bonds which the respondent thought most important was judged by the interviewers on the basis of what the respondent said during the course of the interview as a whole. In about half the interviews a single reason is not clearly dominant. In these cases the two reasons of apparently equal importance are listed.

Reasons for buying bonds stated in terms of national economics are given by more than half of the respondents (Table 3). Of these reasons, by far the most common is one that has been implied in much War Bond publicity - that the Government needs the money. Specific uses for the money are often mentioned, such as to buy planes, tanks, guns, or to pay for good equipment and food for "our boys". The prevention of inflation appears as an important reason for buying bonds to only 3 percent of the farmers interviewed, although 50 percent of the farmers interviewed mention inflation or its consequences during the course of the interview.

In addition, when asked why the Government was anxious to get people to buy bonds, 15 percent indicate that the Government wants to curb inflation (Table 4). The following table summarizes the farmers' attitudes toward inflation.

Mentions or describes inflation during the interview	50%
Says that the Government wants people to buy bonds to prevent inflation	15
Mentions the prevention of inflation as a major personal reason for buying bonds	3

Reasons connected with their personal or farm finances are emphasized by 41 percent (Table 3). Twenty-four percent indicate that bonds should be bought as a means of saving, and 17 percent speak of bonds as an investment.

Patriotic reasons, such as: "We must buy bonds to help our country", or "We must buy bonds to help win the war" are important to 26 percent of the respondents.

Few of the respondents admitted that the rural bond-selling campaign was an important factor in getting them to buy bonds. However, evidence to be presented later indicates that the campaign has a much greater effect than is indicated here.

It is likely that the reasons which respondents give for purchasing War Bonds actually represent a measure of the effectiveness of War Bond publicity. Much of this publicity is naturally concerned with giving reasons for purchasing War Bonds. The frequency with which these reasons recur in the interviews indicates the extent to which they have been accepted.

Most Farmers Think of Bonds
as a Means of Saving

About half of the farmers interviewed speak of War Bonds in terms of a place to keep money, as an emergency fund, or as a hedge against the future, i.e., as savings (Table 5). Twenty-eight percent are more concerned with bonds as an investment. In discussing bonds, this latter group emphasize the interest rate or the increase in value at maturity. The remainder do not mention bonds in relation to their own personal or farm finances. The proportion speaking of bonds in terms of savings or investments is not significantly different for bond-buyers and non-buyers.

Few Plans for Use of Bond Money
Show Effect of Wartime Shortages

Less than half of the farmers interviewed have specific plans for the use of the money they will obtain when they cash in their bonds. There is little indication that wartime shortages have had much influence on the farmers who do have plans. Less than one-fourth of those who do have plans mention consumer goods, farm equipment such as machinery, or more permanent forms of farm improvement. The most frequent plans are for things which farmers might be expected to save for regardless of the war, such as travel, education for the children, more land, or a home for retirement.

Fifty-three percent of the respondents who have bought bonds have no plans for the use of their bond money.

Inadequate Income and Preference
for Paying Debts the Most Frequent
Reasons Given for not Buying Bonds

Nearly half of the farmers who have not bought bonds assert as a major reason for not buying that their income is inadequate (Table 7).

Twenty-six percent prefer paying their debts to buying bonds, and 16 percent indicate that some emergency such as illness in the family or loss of livestock had made it impossible for them to meet their pledge. Table 7 is based only on the most emphasized reasons for not buying bonds. Many farmers, such as the one quoted below, give more than one reason.

"I ain't buying bonds because I ain't got the money, and I wouldn't buy many of them if I did have it. I signed that pledge but I don't buy them. A farmer can't do everything."

(How do you think a farmer should stand on his debts before he buys bonds?) "I think he should have them all paid up. There ain't no use in paying big money for the stuff you borrow and then not paying it off as fast as you can so you can buy bonds at a low rate of interest. I say get the debts paid off. Of course, if you only got a \$50 - \$75 debt that might be different, but most farmers have larger ones than that."

Reasons for not buying bonds which are unconnected with the farmer's own financial situation are very infrequent.

Many Farmers Can Buy More War Bonds

It is difficult to determine whether a farmer is able to buy bonds, or, if he is buying, whether he is able to buy more. However, the interviewers were asked to make this judgment for each respondent - whether or not he could buy more bonds without sacrifice. Of those who have bought bonds, 42 percent were judged as able to buy more, and 37 percent unable (Table 6). Of those who have not bought, 55 percent were judged able to buy, and 37 percent unable. The interviewers could not make this judgment in 22 percent of the cases. The judgment was based on information obtained from observation of the farm and how it was kept up, and from the interview itself. During many interviews, respondents mentioned the amount of debts or savings they had, recent expenditures for consumer goods or farm equipment, costly emergencies such as sickness or stock losses, etc., as well as the actual amount of bonds they had bought. In the absence of consistent data on income, expenditures, and bond purchases, this judgment was necessarily tenuous and must be accepted with very great caution. However, it is of interest that over 40 percent of the entire sample of farmers gave the impression that they could buy bonds or buy more bonds without sacrifice (Table 6).

Payment of Debt, Livestock Increase, and Land are Most Frequent Competitors for War Bonds

The fact that farmers are not buying bonds "to the limit" indicates the existence of competitors for their excess income. The interviewers were asked to make a judgment on the basis of the interview as a whole as to the major competitor for bonds. For nearly half of the respondents (44 percent) this was judged to be the payment of debts (Table 9). The increase and improvement of livestock and the purchase of land were judged to be the major competitors for bonds in 14 percent and 8 percent of the cases respectively. No other competitor was indicated as most important for more than 5 percent of the respondents.

In the light of recent increases in demand deposits in rural banks, the small proportion (2 percent) for whom savings is considered as a major competitor is of interest. It is possible that the reason for this is that farmers speak of money in the bank as savings only when it is in savings accounts. Demand deposits are more likely to be thought of as cash on hand and may be represented more concretely in other categories, such as: (1) livestock increase, (2) livestock improvement, (3) farm improvement, (4) farm equipment, (5) land purchase, and (6) taxes. When all of these items are combined with the savings item they are the major competitor for bonds for 32 percent of the respondents.

There are implications in a number of interviews that War Bonds are not considered as liquid assets comparable to savings accounts. A quotation from one respondent illustrates this point:

"Some farmers are saving their money and some are spending it. They are putting into the bank what they don't put in bonds and I don't blame them. I think they should have some to fall back on if they need it."

Farmers Emphasize Debts More Than Bonds in Comparing the Two

Twenty percent of the respondents believe that a farmer should pay off all his debts before buying bonds (Table 10). Another 41 percent put more emphasis on paying off debts than on buying bonds. Most of these believe in bringing debts down to a reasonable level before

putting much money into bonds, although many would and are buying a few bonds in spite of large outstanding mortgages. A third group includes 19 percent of the respondents who put approximately equal emphasis on the payment of debts and the purchases of bonds. Nine percent put more emphasis on the purchase of bonds than on paying off debts. None, understandably, would buy bonds to the neglect of debts. Some of the points of view are illustrated in the following quotations.

"I think a farmer should pay all his debts first. I have always been afraid of having a mortgage come due, because ever since I was a kid that has always meant losing a farm. I have always felt a man is better off if he has his debts all paid. I would never go out to borrow money to buy bonds."

"Debts is what fixes me, but if anybody has money they should put it into War Bonds. It is safe. It is the safest place you can get. If it ain't safe with the Government it ain't safe any place. You would be helping the war effort. The sooner that's over the better."

"... I've bought some bonds already and I'm going to buy some more. I had to borrow some money to buy this land and I had the mortgage made out for 15 years, but I can pay it off in 5 years if I want to. I'm going to pay off that 20 percent each year and then buy bonds with the rest of my money as a sort of investment to use in paying off the rest of the mortgage if I need it in the next couple of years. I will lose a little doing that way, because the War Bonds will bring me in only 2½ percent and I have to pay 4 percent on the mortgage, but I figure bonds are a safe enough investment so that I can stand to lose that much. I would like to pay off the mortgage in a year or two but I may not be able to make it, and the bonds will help me later."

"A farmer who has a debt shouldn't expect to pay that off before he buys any bonds and let his neighbor buy all the bonds. But some consideration should be given to the man carrying a big mortgage."

As might be expected from the frequency with which debts are the major competitor for bonds, the attitude toward payment of debts is significantly related to bond purchases (Table 11). Those who put more emphasis on payment of debts are less likely to buy bonds.

The Purchase of Land a Potential Competitor for War Bonds

Twenty-six percent of the farmers interviewed say without qualification that they believe land to be a good buy at the present time (Table 12). In addition, nearly half of the respondents say that land is a good investment under certain conditions, although they are not in the market at present. Some recall unfortunate experiences which they or others had after the land boom of the last war, and are not likely to be interested in land unless land prices show a marked decrease. Some others, more immediate, are potential purchasers of land, the only obstacle in their way being insufficient cash to make a down payment of 50 percent or more. As some of these farmers accumulate purchasing power in the form of bonds they are likely to enter the market for land. Some farmers mention land purchase when asked what they plan to do with the money they receive from cashing in their bonds (Table 6).

Twenty-eight percent of the respondents indicate without qualification that they are unfavorable toward the purchase of land at present. The attitude toward the purchase of land is not significantly related to bond-buying (Table 15). This is consistent with the fact that land purchase is listed as a major competitor for bonds for only six percent of the respondents (Table 9). Occasional statements appear in the interviews, however, suggesting that the desire to purchase land may play a larger part than is indicated here. Several Minute Men mention cases of farmers who had made small tokens purchased during the bond campaign and then had purchased a farm. The Minute Men took the land purchase as evidence that the farmer had money and immediately put pressure on the farmers to buy more bonds. It is possible that the purchase of land or the intention to do so competes with bonds by reducing the amount of bonds purchased while it does not prevent a farmer from buying a few bonds. The part that land may play as a future competitor for bonds has been mentioned in a preceding paragraph.

A Few Farmers Mention Possibility of Non-Redemption of War Bonds

Sixteen of the 221 interviews contain some reference to the possibility that bonds might not be redeemed or that some difficulty might be encountered in getting a full return by the time the bonds mature. Eleven of the respondents express some doubt that the bonds will or can be redeemed. This is not necessarily given as a reason for not buying bonds. Six of the eleven seem perfectly willing to let all or part of their bond purchases be considered as a donation

if that is necessary to win the war. The remaining five merely mention the possibility that the bonds might not be redeemed in full, without further comment.

The other mentions of uncertainty as to the full return of the money invested in bonds include two references to the discounting of Liberty bonds during the last war, and two statements that if we lose the war or the Government "goes broke" nothing, including War Bonds, will be any good. The latter opinions are not expressed as criticisms of bonds.

Quotations from some of the interviews discussed above are presented below.

"I helped sell the bonds around here. You know, a lot of people didn't want to put much in, they say you won't get your money back. That was the main reason people didn't buy even more. Of course, we didn't tell them they wouldn't get their money back, but for myself I figure even if we don't get it all back, we'll get some of it back, and we've got to do something to win the war. Most of the farmers around here have sons and brothers in the Army or Navy and they want to do all they can. I really think the only way to sell these bonds is making them sure it's patriotic."

"One thing I don't like. I am old and I can die. The money would just go to the Government. There are many old people here. When the time comes to get the money, many of them will be dead and all that money will go to the Government instead of their families."

"There are some who think that it won't be repaid. I have a doubt in my own mind if the Government will be able to pay without some kind of a moratorium. But if the Government doesn't pay them nothing else will be any good either. They tell people to buy bonds now and buy machinery later. You know the Government can't pay it back the day the war closes or even the year after. I feel that eventually the bonds will be paid but I certainly don't expect them to be paid any time you want to turn them in. I don't see how that possibly can happen. It may be that the dollar will have to be devaluated after the war. Over the long pull they will be all right. They were the last war."

"I should say about 50 percent, no make it 75 percent, around here bought all the bonds they could without sacrifice. Some of them could buy lots more. (Whom do you have in mind?) Well, they're just a lot of wealthy people in cities who haven't been made to buy. Most farmers have put out all they can. In fact, they have put out more than the city people. But I'd say 25 percent are a little leery, they're

afraid - they don't want to get rid of all their money. And also they are afraid of where they put all their money. I mean some of them argue they didn't get their money after the first war. These are old timers - they got stung last time."

II. FACTORS RELATED TO BOND-BUYING

The previous section was concerned largely with a presentation of what farmers say about War Bonds and other potential outlets for their excess income. In this section these expressed attitudes and other factors are related specifically to whether a farmer has or has not bought bonds. Six factors are found to be significantly related to bond-buying (Table 14). These include three non-attitudinal factors: (1) direct contact of the farmer with the campaign, (2) economic level, and (3) taking an active part in the campaign, and three attitudes: (4) emphasis on bonds vs. payment of debts, (5) fear of inflation, and (6) presence or absence of worry or uncertainty about his post-war economic situation.

An additional 13 factors were investigated for which the significance of their relationship to bond-buying is questionable (Table 15).

Direct Contact with Farmers the most Effective Determinant of Bond-Buying

A direct contact with the war savings campaign is found here, as in other studies, to be the most effective cause of bond-buying. Eighty percent of the respondents who came in contact with the campaign through attending meetings or who were contacted personally by campaign workers bought bonds, while only 50 percent of those who had no contact bought bonds (Table 16). If we include the campaign workers themselves among the group contacted by the campaign, the proportion buying bonds is increased to 83 percent.

Ninety-seven percent of the respondents who have taken an active part in the campaign as minute-men bought bonds, compared with only 74 percent of those who have not taken an active part. This suggests that the sale of bonds could be increased by giving more farmers an opportunity to participate actively in the campaign. A few campaign workers indicated that they felt it necessary to buy bonds themselves before they could ask others to buy. To quote one of them:

"I had to buy some bonds because I ran the campaign for this township. I have a mortgage but I took a \$500 bond. We broke our quota into school districts and assigned each district a quota. Our district went over but the township didn't, so we went back to some people. I bought another \$100 bond."

However, the evidence does not indicate whether most canvassers bought bonds as a result of being made minute-men or whether they were selected to help in the campaign as a result of their favorable attitude. Consequently it might be unwise to suggest that every other farmer be made a minute-man in order to increase the sale of bonds.

Economic Level an Important
Determinant of Bond-Buying

The economic level of farmers is second in importance among the non-attitudinal factors in the extent of its relationship to bond-buying. Eighty-nine percent of the respondents who are above the average of those interviewed on the economic level index bought bonds, while only 60 percent of those below average bought bonds (Table 17). The fact that 40 percent of those below average have not bought bonds suggests that many of the non-buyers who give inadequate income as a reason for not buying (Table 7) are justified.

There is some evidence that the two factors, contact with the campaign and economic level, were not entirely independent. Canvassers are somewhat more likely to visit farmers in the upper economic levels than those in the lower. All of the respondents who were not contacted (or were not canvassers) are in the lower three-fourths of the economic scale (Table 18). This fact suggests that one reason for the apparent effectiveness of contacting the farmer in the campaign is that many farmers who are unable to buy for financial reasons are not contacted. However, this is true only in part. If selection of potential buyers were the only reason for the apparent effectiveness of directly approaching farmers, we should expect that a higher proportion of contacted farmers would buy bonds in Illinois than in Iowa. (Since proportionally fewer farmers were contacted in Illinois the selection of potential buyers should have been more effective than in Iowa, where nearly all farmers were contacted.) Actually, the difference is in the opposite direction. Eighty-six percent of the farmers contacted in Iowa bought bonds, while only 78 percent of the contacted farmers in Illinois bought bonds.

Emphasis on Bond Purchases
Rather than Debt Payment
Facilitates Bond-Buying

In many cases, the reasons farmers themselves give for buying or not buying bonds do not stand up under further analysis. For example, the relationship between campaign contact and actual bond purchases is very high, yet campaign pressure is listed very infrequently by the farmers themselves as the major reason for buying bonds (Table 3). On the other hand, the farmers' frequent statements

* Economic level was measured for each farm on which an interview was taken by means of an index based on 15 items. These included size of farm, cropland acreage, number, type, and age of tractors, type of land, condition and equipment of buildings, the respondent's statement of the value of his farm, and an interviewer's estimate of general economic level.

that the payment of debts is the best place for their money is supported by their actions (Table 11). Although many farmers who favor the payment of all debts before purchasing bonds have bought bonds, they are much less likely to do so. The proportion of farmers who buy bonds is closely related to the extent to which they favor bonds rather than the payment of debts (Table 11). Only 53 percent of those who favor payment of all debts before buying bonds have bought, while 97 percent of those placing equal emphasis on bond-buying and debt payment have bought bonds. Eighty-nine percent of the small group who place more emphasis on bonds than debts are bond-buyers. The number of cases in this group is so small that the reversal is not significant.

Fear of Inflation Closely
Related to Bond-Buying

The fear of inflation is much more closely related to bond-buying than would be expected from the infrequency with which it is given as a reason for buying bonds (Table 5). Of those who express some fear of inflation (which frequently occurs in answers to questions concerning farm prices rather than during the discussion of bonds) 88 percent bought bonds, while only 66 percent of those who do not express such a fear bought bonds (Table 19). Although fear of inflation is evidently related to bond-buying, it may not be an effective cause of bond-buying. The proportion of farmers expressing a fear of inflation increases with the extent of their contact with the war savings campaign and also with increasing economic level (Tables 20 and 21). It is possible that fear of inflation and bond-buying are concomitant results of these two factors and that fear of inflation does not necessarily facilitate bond-buying.

Farmers not Worried About Their
Post-war Economic Situation
More Often Buy Bonds

To one who has read farm bond publicity emphasizing bonds as a post-war cushion, it is surprising that farmers who are not worried or uncertain about their personal economic situation after the war are more likely to buy bonds than those who are worried (Table 22). This uncertainty which farmers express about their post-war situation is not related to economic level. Farmers who are below average are no more likely to be worried than those who are above average (Table 23). This indicates that those farmers who are worried about their future have not been sufficiently "sold" on War Bonds as a means of reinforcing their own economic position after the war.

Other Factors Less Closely
Related to Bond-Buying

For a number of other factors the relationship with bond-buying is rather high but does not attain the statistical criterion of significance used in Table 14. Among those for which the difference in proportion of bond-buyers is 14 percent or more are the respondent's attitude toward the war and three factors related to the conduct of the bond campaign (Table 15).

A previous study, "Participation in the War Savings Program", indicated that "war-involved patriotism" tended to facilitate bond-purchases in a group which was largely urban. The fact that the relationship between "support of the war" and bond-buying is not statistically significant here is very possibly due to the relatively small number of cases in this study. However, it is also likely that attitudes such as the patriotism involved here are closely related to bond-buying only when bond-buying is relatively voluntary. Ninety percent of the farmers interviewed in this study had some direct contact with the war savings campaign. Under such conditions, absence of patriotic desire to buy bonds is probably more than compensated for by social pressure.

The remaining three factors showing differences of 14 percent or more suggest that too great pressure exerted on farmers during the campaign may be undesirable. Fewer farmers among those who say they were "told" to buy bonds actually bought than among those who said they were "asked". In addition, fewer farmers among those who showed resentment of the manner in which they were approached during the campaign or of the size of their quota bought bonds than among those who expressed no resentment. However, there is no evidence of the direction of the relationship. It is possible that farmers who do not buy bonds (because of inadequate income or other reasons) show resentment and describe the campaign approach unfavorably in order to rationalize their failure to buy bonds.

Other factors which show very little relationship to bond-buying include attitudes toward Government spending and other Government policies, attitudes toward prices of particular products which the farmer produces and sells, attitudes toward the redeemability of War Bonds, the function of War Bonds (as savings or investment) in the farmer's own financial situation, and two non-attitudinal items including age and whether a member of the family is in the armed forces.

Dollars
in Millions

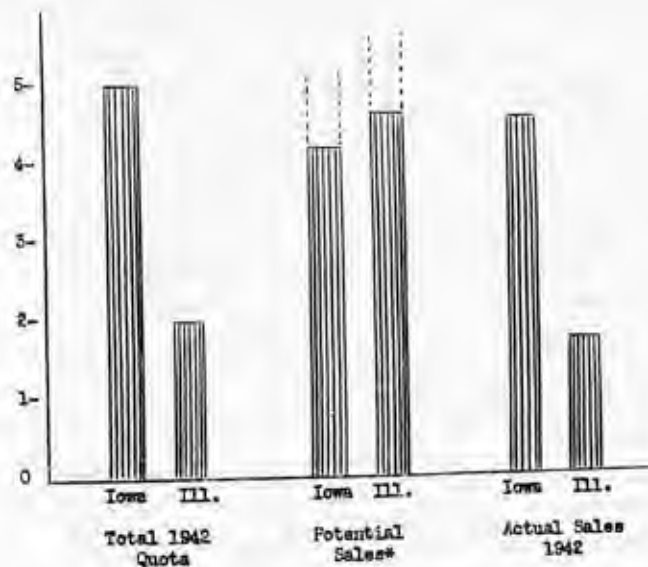


Figure 2. Quota for 1942, potential sales, and actual 1942 sales for four sample counties in Iowa and four in Illinois.

* Potential sales (solid portion of bar) are calculated on the basis of the relationship between economic factors and actual sales in Iowa in 1942. The dotted portion represents an indefinite addition which is added on the assumption that 1942 sales do not represent the maximum possible.

III. FACTORS INFLUENCING BOND SALES IN IOWA AND ILLINOIS

One of the major problems of this study is to account for the differences in rural bond sales in Iowa and Illinois. Figure 2 in the four counties in each state which are included in the sample, shows the total 1942 sales together with 1942 quotas and an estimate of potential bond sales based on economic measures for these counties.

Difference between Bond Sales in Iowa and Illinois not due to Economic Factors

Economic factors obviously affect bond sales and might be expected to account for differences which are found between total sales in different states. The effect of economic differences between Iowa and Illinois was eliminated in the present study by the equating of the counties sampled in the two states. The average economic level of the counties sampled in Iowa and Illinois in terms of the economic index used in their selection* is practically identical (Table 24, Item 1). A prediction of potential bond sales in the four counties in the two states based on the relationship between economic factors and 1942 bond sales in all rural counties in Iowa** is slightly in favor of the four sample Illinois counties (Table 24, Item 2). This is essentially a prediction of what sales would have been in Illinois and Iowa if the same advantage had been taken of the economic potentialities as was taken in Iowa. In other words, in terms of economic ability to buy, bond sales could have been somewhat higher in the four Illinois counties than in the four Iowa counties included in the study. Actually, the total bond sales for 1942 in the four Iowa counties were over two and one-half times as great as the sales in the Illinois counties (Table 24, Item 3). The potential sales per farm in the rural counties in Illinois are also somewhat greater than for Iowa, although the greater number of farms in Iowa results in a prediction of a somewhat

* This index is based on two items, average value of land and buildings and average rent for each county, obtained from the 1940 census.

** A technical discussion of the regression equations upon which this prediction of potential bond sales is based is included in the Appendix.

greater total sales in Iowa. Actual total sales are over twice as great in Iowa (Table 25).

Quota Differences Account for Much of Difference in Sales

It is evident that economic factors do not account for the radical difference in bond sales between the two states. One factor which plays a very large part is the size of the quota. Total sales both for the sample counties and for the state as a whole correspond much more closely to the quotas than to the bond sales which would be expected on the basis of economic ability to buy (Table 24, Items 3 and 4). It would appear that bond sales in rural counties in Illinois are materially reduced by the low quotas which were assigned (or that sales in Iowa are materially raised).

Other Factors Favor Bond-Buying in Iowa

Other factors which contribute to the difference in bond sales between the two states are included in those which have been shown to relate to bond-buying by individual farmers in the previous sections of this report. Differences between Iowa and Illinois in terms of the six factors which are found to be significantly related to bond-buying are with one exception in favor of a higher proportion of farmers buying bonds in Iowa (Table 26). The fact that one of these factors - the proportion of respondents who are above average on the individual farm economic index - shows a difference of 12 percent in favor of Iowa indicates that the matching of the Iowa and Illinois samples was not as accurate as is indicated by the averages of the county and farm economic indices (Table 27). Since the average individual farm economic index for the samples in the two states are practically identical, this indicates that the difference was due to the distribution of economic level in the two samples rather than to a difference in level. Although the difference in proportion of farms above average is not great, it indicates that a part of the difference in the proportion of farmers buying bonds in the Iowa and Illinois counties of this sample may be attributed to economic level.

More Farmers Contacted by War Savings Campaign in Iowa than in Illinois

A second difference between the two states which was shown in the previous section to be significantly related to individual bond-buying (Table 14) is the number of farmers who had direct contact

with the war savings campaign (Table 26). Ninety-six percent of the respondents in Iowa had direct contact with the campaign in comparison with 74 percent in Illinois.

Although economic level and contact with the war savings campaign play an important part in the difference in the proportion of bond-buyers in Iowa and Illinois, there are further differences which are not accounted for by these two factors. When we consider only farmers who are above average in economic level and who were contacted by the campaign, there is still a difference in the proportion of farmers who bought bonds in the two states (Table 28). A somewhat smaller difference, also in favor of Iowa, is found for contacted farmers who are below average in economic level.

Emphasis on Debts and Worry About Post-War Situation More Common in Illinois

Other factors which may account for the remaining difference in results of the campaign in the two states include two attitudes which were shown previously to be related to bond-buying (Table 26). These attitudes which favor bond-buying are: absence of worry about post-war security, and greater emphasis upon purchase of bonds than upon payment of debts.

More farmers in Illinois than in Iowa are worried about their post-war economic security. The fact that this attitude is associated with less frequent bond-buying suggests a potent appeal which has not yet been sufficiently exploited, particularly in Illinois. This point is strengthened by the rather surprising fact that the attitude of uncertainty about post-war security is not significantly related to economic level. Sixty-two percent of the respondents who were above the average economic level were worried or uncertain about their post-war future, compared with 62 percent of those below average (Table). This evidence indicates that many potential bond-buyers, particularly in Illinois, need to be convinced of the part which War Bonds can play in averting both personal and national difficulty after the war.

More farmers in Illinois than in Iowa emphasized the importance of paying debts when directly comparing bonds and debts. Since this emphasis upon a major competitor for bond purchases is so closely related to bond-buying (Tables 14 and 11), it suggests another point which might be made more effectively in War Bond publicity, especially in Illinois. The farmers must be shown adequate reasons why it is to their advantage to put more of their excess income into War Bonds and less into the payment of debts.

Other Factors Do Not
Differentiate Iowa
and Illinois

Other factors which are closely related to bond-buying by individuals (Table 14) are less important as reasons for state differences in bond sales (Table 28). The proportion of respondents who took an active part in the campaign and the proportion expressing fear of inflation were very similar in Iowa and Illinois.

Greater Sales Pressure in
Iowa than in Illinois

In addition to these factors which have previously been shown to relate to bond-buying, there is considerable evidence within the interviews that the Iowa campaign involves considerably greater pressure than the Illinois campaign. This is to be expected as a result of the much larger county quotas which are assigned in Iowa.

Since the Iowa and Illinois sample counties are roughly comparable in economic level, the radical difference in quotas and sales in the two states suggests that the lower quotas in Illinois are actually deterring bond sales in that state.

The greater pressure in Iowa is evidenced in several ways. Eighty-six percent of the farmers who had direct contact with the campaign in Iowa bought bonds, while only 78 percent of those in Illinois bought bonds (Table 29). The increased pressure in Iowa is evidenced rather subtly by the difference in the words which the respondents used to describe the manner in which they were approached. Approximately one-half of the farmers who were approached in each state said that they were "asked" in describing the approach used. Thirty-one percent of the Iowa respondents used the word "told", compared with 1 percent in Illinois (Table 30).

More Resentment of
Bond Campaign in Iowa

The difference was not just an accident of expression. Thirteen percent of the Iowa respondents expressed resentment of the manner in which they were approached, and 20 percent resented the size of their bond quotas (Tables 31 and 32). Only 1 percent expressed resentment of either in Illinois. This resentment was not always expressed in strong terms, but its presence at all in a fifth of the respondents in Iowa indicates the existence of sales pressure. It also indicates that there are limits to the campaign pressure which can be used to increase bond sales if undesirable reactions are to be avoided.

APPENDIX

INTERVIEW SCHEDULE

1. What do you think about farm prices now?
2. Do you think it would be a good idea for the prices of farm products to go much higher?
3. We know there are lots of things we can't buy these days. What do you think is the best use you can make of your money?
 4. Why would you use it that way?
5. Are there other things you would put your money into?
6. What are farmers around here doing with their money?
7. Do you think it is a good idea to buy land right now?
8. How do people around here feel about buying War Bonds?
9. What do you think about War Bonds? (Determine at this time, if not already answered, whether respondent has bought War Bonds. If yes, ask question 10).
 10. Have you made any special plans for using that money?
11. Where do you think a farmer should stand on his debts before he buys War Bonds? (Alternate question: How much of his debts should a farmer have paid off before he buys War Bonds?)
 12. What debts are you referring to?
13. Why do you think the Government is anxious to get people to buy War Bonds?
 14. Any other reason?
15. What do you think about the way the Government is using its money?
16. We've been interested in these bond campaigns around the country. Has there been one around here?
17. Who put on the campaign? (Interested in county level or closer.)
18. How do you like the way it was handled?

19. Did they go around and see everybody? (Find out if respondent was contacted personally.)
20. Do you see any way in which the campaign could be improved?
- 20a. Do you think there are any other ways by which bond sales could be increased?
- 20b. How much do you think a farmer in your position should put into War Bonds during a year?
21. To change the subject: What do you think about the way people in Washington are handling the war problems?
22. How have Government war policies here at home affected you?
23. What do you expect things will be like for you after the war?
24. What makes you think it will be that way?
25. Do you think this war is any different from the last one? (If not covered, probe: How about the things we're fighting for - are they any different?)

Table 1. Most Preferred Uses for Excess Income*

Most Preferred Use for Excess Income	Bond Buyers	Non-Bond Buyers	Total Sample
War bonds	56%	18%	45%
Pay debts (or interest on debts)	25	37	28
Livestock increase	5	22	9
Farm improvement (includes purchase of farm equipment)	4	4	5
Land purchase	5	4	5
General spending (consumer goods)	2	6	3
Savings	1	2	1
Pay taxes	0	2	1
Marginal income - need all their money for living expenses	1	2	1
No profitable way to use money	0	5	1
Not ascertainable	2	0	1
	100%	100%	100%
	N=170	N=51	N=221

* Question 3. "We know there are lots of things we can't buy these days. What do you think is the best use you can make of your money?"

Table 2. Uses for Excess Income Mentioned Including First, Second, and Third Choices*

Use for Excess Income	Bond Buyers	Non-Bond Buyers	Total Sample
War bonds	92%	85%	86%
Pay debts (or interest on debts)	64	65	63
Farm improvement (includes purchase of farm equipment)	30	30	31
Livestock increase	22	33	24
Land purchase	25	20	24
Pay income tax or other taxes	4	8	5
Savings	3	4	3
Spending for consumer goods	1	8	3
Livestock improvement	2	2	2
Insurance	1	2	1
No profitable way to use excess income	5	12	6
Marginal income - no excess above living expenses	1	2	1
Mentioned no second choice	0	0	2
Mentioned no second or third choice	0	0	44
	N-170	N-51	N-221

* Question 3. "We know there are lots of things we can't buy these days. What do you think is the best use you can make of your money?"

Question 5. "Are there other things you would put your money into?"

Since more than one answer was possible per person, percentage totals are more than 100 percent.

Table 3. Most Important Reasons for Buying Bonds Given by Farmers Who have Bought Bonds*

Reason for Buying Bonds

National economic reasons

Government needs the money	52%	}	57%
To prevent inflation	3		
To prevent depression (or too low prices in the future)	1		
To avoid necessity for raising taxes	1		

Personal-financial or farm-financial reasons

Savings	24	}	41%
Investment	17		
Patriotic reasons ("To help our country", "To win the war")	26		
Campaign pressure	9		
Feels he must buy because he is connected with the campaign	1		
Community (social) pressure	1		
Not ascertainable	1		
			N-170**

* Based on the interview as a whole.

** When two reasons appeared to be of equal important for some farmers, both are included. Consequently, percentages total more than 100.

Table 4. Reasons Farmers Attribute to the Government for Asking People to Buy War Bonds*

Reason	
The Government needs the money	54%
To curb inflation	15
To cushion the individual against a post-war depression	14
To make people war-conscious - by giving them a chance to help	6
To provide a good investment	4
To provide post-war purchasing power to restore normal living	2
Respondent does not know	2
Not ascertainable	4
	N=221**

* Question 13. Why do you think the Government is anxious to get people to buy war bonds?

** The total is greater than 100 percent since more than one reason was recorded.

Table 5. Concept of Bonds as an Investment or as Savings*

Concept of War Bonds	Bond Buyers	Non-Bond Buyers	Total Sample
As savings (emphasis on safety, a place to keep money)	54%	41%	51%
As an investment (emphasis on interest or earnings)	31	22	28
Not ascertainable	$\frac{15}{100\%}$	$\frac{37}{100\%}$	$\frac{21}{100\%}$
	N=170	N=51	N=221

* Based on discussion in the interview as a whole.

Table 6. Plans for Use of Money Obtained from Cashing in Bonds*

Planned Use for Bond Money	Bond Buyers
Long term saving (trips, education for children, etc.)	14%
Invest in land or a home	12)
Farm improvement	6)
Pay off debts, mortgages, etc.	8) 46%
Hedge against post-war depression	3)
Consumer goods	1)
Post-war purchasing power	2)
Farm equipment	1)
No plans	53
Not ascertainable	$\frac{2}{100\%}$
	N=170

* Question 10. Have you made any special plans for using your bond money?

Table 7. Reasons given by Non-Buyers for not Buying Bonds*

Reasons for not Buying Bonds	Non-bond buyers
Inadequate income	49%
Would rather put money into paying debts	25
Emergency arose - could not meet quota	18
Opposition to Government spending and Government policies	2
Fear of bonds not being redeemed	2
Putting money into increased production	2
Not ascertainable	4
	<u>100%</u>
	N=51

* Reasons found in various parts of the interview.

Table 8. Interviewers' Estimate of Respondents' Ability to Buy (Here) Bonds*

Interviewer's Estimate	Bond Buyers	Non-Bond Buyers	Total
Respondent can buy more	42%	35%	41%
Respondent cannot buy more	37	37	37
Not ascertainable	21	28	22
	<u>100%</u>	<u>100%</u>	<u>100%</u>
	N=170	N=51	N=221

* This estimate is based on the interview as a whole plus other information gathered by observation of the farm.

Table 9. Major Competitor for Bonds*

Competitor for Bonds	Bond Buyers	Non-Bond Buyers	Total Sample
Pay debts	41%	53%	44%
Livestock increase and improvement	14	15	14
Land purchase	8	2	5
Consumer goods, and spending	2	18	5
Farm improvement	4	2	4
Farm equipment	5	2	4
Savings	2	0	2
Incomes taxes, other taxes	2	2	2
Losses on stock	1	2	1
Inadequate income	3	2	3
No competitor	13	0	10
Not ascertainable	5	4	5
	<u>100%</u>	<u>100%</u>	<u>100%</u>
	N=170	N=51	N=221

* Interviewer's estimate based on the total interview.

Table 10. Comparative Emphasis on Debts Vs. Bonds in Iowa and Illinois*

Attitude	Iowa	Illinois	Total
Pay all debts first	14%	27%	20%
Most emphasis on debts	39	42	41
Equal emphasis on debts and bonds	35	23	29
Most emphasis on bonds	10	8	9
Not ascertainable	2	0	1
	<u>100%</u>	<u>100%</u>	<u>100%</u>
	N=114	N=107	N=221

* Question 11. Where do you think a farmer should stand on his debts before he buys war bonds?

Table 11. The Relationship between Bond-Buying and the Comparative Emphasis which Respondents place on Payment of Debts Vs. the Purchase of Bonds*

	Pay all debts first	Most emphasis on debts	Equal emphasis	Most emphasis on bonds	Total Sample
Bond-buyers	63%	72%	97%	89%	77%
Non-buyers	47 100%	28 100%	3 100%	11 100%	25 100%
	N=45	N=90	N=85	N=19	N=221

* Question 11. Where do you think a farmer should stand on his debts before he buys war bonds?

In two cases the attitude toward debts was not ascertainable.

Table 12. Attitude Toward Buying Land in Iowa and Illinois*

Attitude	Iowa	Illinois	Total Sample
Favorable	28%	24%	26%
Favorable only under certain conditions	49	34	42
Unfavorable	19	38	29
Not ascertainable	4 100%	4 100%	3 100%
	N=114	N=107	N=221

*Question 7. Do you think it is a good idea to buy land right now?

Table 13. Attitude Toward Buying Land in Relation to Bond-Buying*

	Favorable	Favorable under certain conditions	Unfavorable	Total Sample
Bond-buyers	74%	81%	75%	77%
Non-buyers	25 100%	19 100%	25 100%	25 100%
	N=58	N=92	N=53	N=221

* Question 8. Do you think it's a good idea to buy land right now?

In eight cases the attitude toward land purchase was not ascertainable.

Table 14. Factors Significantly Related to Bond-Buying*

Category (a) (Favorable to bond-buying)	Category (b) (Unfavorable to bond-buying)	Diff. %	P**	Difference
Personal contact during campaign	No contact	53%	<.001	
Above average in economic level	Below average	29	<.01	
Makes more emphasis on bonds than on debts	Puts more emphasis on debts	29	<.001	
Took active part in campaign	Took no active part	23	<.02	
Expresses fear of inflation	Does not	22	<.001	
Not worried about own post-war economic situation	Worried or uncertain	16	<.01	

* The relationship of these factors to bond-buying is presented as the difference between the percentage of the respondents in category (a) who bought bonds and the percentage of the respondents in category (b) who bought bonds.

** P equals the probability that a difference of the magnitude found would occur by chance. No differences were included as significant when $P > .02$.

Table 15. Factors whose Relationship to Bond-Buying is not Statistically Significant according to the Criterion used in Table 14

Category (a) (Favorable to bond-buying)	Category (b) (Unfavorable to bond-buying)	Difference*
Does not resent campaign approach	Resents campaign approach	19%
Supports the war	Indifferent or opposes the war	17%
Does not resent quota or size of quota	Resents quota or size of quota	16%
Says he was "asked" to buy bonds	Says he was "told" to buy bonds	14%
Satisfied with prices of product he is selling	Expresses dissatisfaction with prices of product he is selling	9%
Payment of debts is his major competitor for bonds	Debts is not his major competitor for bonds	9%
No mention of non-redeemability of bonds	Mentions possibility of bonds not being redeemed	5%
Member of family in armed forces	No member of family in armed forces	5%
Age, under 50	Over 50	5%
Thinks of bonds as an investment	Thinks of bonds as savings	2%
No criticism of Government domestic policies	Some criticism of Government domestic policies	2%
No criticism of Government spending	Criticism of Government spending	2%
Unfavorable to way campaign was handled	Favorable to way campaign was handled	1%

* Difference between the proportion of respondents in category (a) who bought bonds and the proportion in category (b) who bought bonds. These differences are described as not significantly related to bond-buying since the probability of their occurring by chance is greater than .02.

Table 16. The Effect of Contact by the War Savings Campaign on Bond-Buying

How contacted	Percent bond buyers	Percent Non-buyers	Total	N
Personally visited by campaign worker	80%	20%	100%	153
Attended meeting	79	21	100	14
Personally visited or attended meeting	80	20	100	167
Respondent is a campaign worker	97	3	100	30
Personally visited, attended meeting, or is a campaign worker	85	17	100	197
No personal contact with campaign	30	70	100	23
Total sample	77	23	100	220*

* One respondent is omitted from this table, a woman who did not know whether her family has been contacted or not.

Table 17. The Relationship between Economic Level and Bond-Buying

	Economic Level Index Score*		
	Above Average	Below Average	Total Sample
Bond buyers	89%	80%	77%
Non-bond buyers	$\frac{11}{100\%}$	$\frac{40}{100\%}$	$\frac{23}{100\%}$
	N=170	N=51	N=221

* Described in a text footnote.

Table 18. The Relationship between Economic Level and Campaign Contact

	Economic Level Index Score				Total Sample
	Lower Quarter	Lower Middle	Upper Middle	Upper Quarter	
Contacted	85%	82%	83%	100%	90%
Not contacted	$\frac{15}{100\%}$	$\frac{18}{100\%}$	$\frac{7}{100\%}$	$\frac{0}{100\%}$	$\frac{10}{100\%}$
	N=26	N=65	N=105	N=24	N=220*

* One respondent who did not know whether the family had been contacted or not is omitted from this table.

Table 19. The Relationship between Fear of Inflation and Bond-buying

	Does not indicate fear of inflation		Total sample
	Indicates fear of inflation	Does not indicate fear of inflation	
Bond buyers	88%	66%	77%
Non-bond buyers	$\frac{12}{100\%}$	$\frac{34}{100\%}$	$\frac{23}{100\%}$
	N=170	N=51	N=221

Table 20. The Relationship between the Amount of Contact with the Campaign and Fear of Inflation*

	Some contact (Personally visited or present at a meeting)		No contact	Total
	Much contact (Canvassers)			
Mentions fear of inflation	67%	60%	26%	50%
Does not mention fear of inflation	33 100%	40 100%	74 100%	50 100%
	N=30	N=167	N=23	N=221

* The presence or absence for fear of inflation was determined by the interviewer on the basis of the interview as a whole. The degree of contact was not ascertained for one respondent, a woman who did not know whether anyone in her family had been contacted or not.

Table 21. The Relation between Economic Level and Fear of Inflation

	Economic Level		
	Above Average	Below Average	Total Sample
Indicate fear of inflation	60%	56%	50%
Do not indicate fear of inflation	40 100%	44 100%	50 100%
	N=129	N=92	N=221

Table 22. The Relationship between Attitude toward Post-War Security and Bond-Buying

	Not worried about own situation	Uncertain about situation, depends	Worried about own situation	Not as- certain- able
Bond buyers	87%	75%	50%	67%
Non-bond buyers	13 100%	25 100%	50 100%	33 100%
	N=63	N=110	N=22	N=6

Table 23. The Relationship between Economic Level and Worry and Uncertainty about Post-War Economic Security*

Attitude Toward Post-War Security	Economic Level		Total Sample
	Above Average	Below Average	
Worried or uncertain	62%	61%	61%
Not worried or uncertain	38 100%	39 100%	39 100%
	N=89	N=126	N=215

* Six cases for whom the attitude toward post-war security was not ascertainable are omitted from this table.

Table 24. Comparison of Iowa and Illinois in terms of Potential and Actual Bond Sales for the Four Sample Counties in each State

Item	Iowa	Illinois	Iowa - Ill. ratio
1. Economic index used to equate sample counties	12.3	12.2	1.01
2. Potential sales in sample counties based on relationship between economic factors and bond sales in Iowa*	\$4,253,490	\$4,645,878	.915
3. Actual bond sales in sample counties in 1942	\$4,582,742	\$1,739,000	2.64
4. Total quotas in sample counties in 1942	\$4,995,000	\$2,012,700	2.48

* This prediction of potential sales is based on the regression equation for predicting average sales per farm for each county from four economic measures of the counties. This equation is presented in the technical appendix.

Table 25. Comparison of All Rural Counties in Iowa and Illinois in Terms of Potential and Actual Bond Sales, and Quotas for 1942

	Iowa	Illinois	Iowa - Ill. ratio
Total potential sales** in all rural counties in 1942 based on the relationship between economic factors and bond sales found in Iowa in 1942*	\$86,708,135	\$74,913,070	1.16
Total actual bond sales in rural counties in 1942	\$86,550,000	\$36,840,000	2.35
Total quotas in rural counties in 1942	\$93,010,000	\$34,130,000	2.72
Number of farms in rural counties	154,926	116,299	1.33
Potential sales per farm** in rural counties based on the relationship between economic factors and bond sales in Iowa in 1942*	\$559.68	\$644.14	.87
Actual sales per farm** in rural counties in 1942	\$557.05	\$309.75	1.80
Quota per farm* in rural counties in 1942	\$600.35	\$293.47	2.05

* In the "per farm" data, sales for the county as a whole (including urban sales within the county) are prorated over the farms.

** A discussion of the regression equation on which the estimates of potential sales are based is included in the technical appendix.

Table 26. Differences Between Iowa and Illinois in Factors Significantly Related to Bond-Buying

Factor Related to Bond-Buying	Iowa	Illinois	Difference
Direct contact with War Savings Campaign	96%	72%	24%
Above average in economic level	64	52	12
Absence of worry or uncertainty about post-war economic situation	48	26	22
Greater emphasis on bond purchase than upon debt payment	46	31	14
Taking active part in War Savings Campaign	11	17	- 6
Fear of inflation	52	48	4
	N=114	N=107	N=221

Table 27. Measures of Economic Level for the Iowa and Illinois Samples

	Iowa	Illinois
Average County economic level index*	12.5	12.2
Average Individual farm economic level index**	4.68	4.62
Percent of farmers above the average individual farm economic level index	64%	52%

* Based on census data on average value of land and buildings and average rent for each county in the sample.

** Based on 15 items observed or otherwise obtained by the interviewer while visiting the farm. These items include size of farm, cropland acreage, number, type and age of tractors, type of land, condition and equipment of buildings, the respondent's statement of the value of his farm, and an interviewer's estimate of general economic level.

Table 28. Economic Level in Relation to Contacted Farmers who Bought Bonds in Iowa and Illinois

	Iowa	Illinois
Percent of contacted farmers (above and below average) who bought bonds	86% N=109	78% N=88
Percent of contacted farmers above average who bought bonds	96% N=69	87% N=52
Percent of contacted farmers below average who bought bonds	70% N=40	67% N=36

Table 29. The Proportion Contacted in Each State in Relation to Bond-Buying

	Contacted	Not Contacted	Total Sample
Iowa			
Bond-buyers	86%	50%	85%
Non-bond-buyers	14	50	15
	<u>100%</u>	<u>100%</u>	<u>100%</u>
	N=109	N=4	N=113*
Illinois			
Bond-buyers	78%	26%	69%
Non-bond-buyers	22	74	51
	<u>100%</u>	<u>100%</u>	<u>100%</u>
	N=88	N=19	N=107

* One respondent who did not know whether her family had been contacted or not has been omitted from the Iowa percentages.

Table 30. Respondents' Description of the Manner of Approach Used by Minute Men in Iowa and Illinois*

	Iowa	Illinois
Respondent said he was "asked" to buy	40%	38%
Respondent said he was "told" to buy	26	1
Neither word used	18	29
Respondent was a campaign worker	12	15
Respondent was not contacted	4	17
	<u>100%</u>	<u>100%</u>
	N=114	N=107

* Questions 17, 18, 19: Who put on the campaign? How do you like the way it was handled? Did they go around and see everybody?

Table 31. Resentment of Manner of Approach by Campaign Workers in Iowa and Illinois*

Attitude	Iowa	Illinois
No resentment expressed	68%	65%
Some resentment expressed	10	0
Much resentment expressed	3	1
	15%	1%
Respondent was a campaign worker	12	15
Respondent was not contacted	4	17
Not ascertainable	5	2
	<u>100%</u>	<u>100%</u>
	N=114	N=107

* Questions 17, 18, 19: Who put on the campaign? How do you like the way it was handled? Did they go around and see everybody?

TECHNICAL APPENDIX

Table 52. Resentment of Size of Quota Expressed in Iowa and Illinois

Attitude	Iowa	Illinois
No resentment of size of quota expressed	46%	18%
No mention of quota	14	47
Some resentment of size of quota expressed	18	0
Much resentment of size of quota expressed	4	1
Respondent was a campaign worker	12	15
Respondent was not contacted	4	17
Not ascertainable	$\frac{4}{100\%}$	$\frac{2}{100\%}$
	N=114	N=107

* Questions 17, 18, 19: Who put on the campaign? How do you like the way it was handled? Did they go around and see everybody?

PREDICTION OF POTENTIAL BOND SALES FROM ECONOMIC FACTORS

A considerable amount of economic data broken down by counties is available in the 1940 census. Since many of these economic variables should be expected to be related to bond sales, the attempt was made here to determine such relationships in rural counties of Iowa and Illinois. The four variables selected on the basis of availability for all counties and for likely relationship to bond-buying are: (1) average value of land and buildings, (2) average rent, (3) percent of farms mortgaged, and (4) percent tenancy. In addition, county War Bond quotas for 1942 were used through a part of the calculations to determine the relative weight of quota and economic factors in determining sales.

Correlations of each variable with sales and intercorrelations of each variable with every other are shown separately for each state below:

Table A-1*

Intercorrelations for Iowa

	Q	L	R	M	T
S	.8306	.6094	.8921	.2989	.2165
Q	-	-	-	-	-
L	.6534	-	-	-	-
R	.6580	.6906	-	-	-
M	.3582	.7601	.5393	-	-
T	.3137	.6572	.4619	.7536	-

* The variables are denoted by the following symbols:

- S Sales per farm in dollars**
- Q Quota per farm in dollars**
- L Average value of land and buildings in hundreds of dollars
- R Average rent per month in dollars
- M Percent of farms mortgaged
- T Percent Tenancy

** Total sales per county divided by number of farms. Some distortion is involved here since urban sales within the county are prorated to the farms.

Table A-1 Continued
Intercorrelations for Illinois

	Q	L	R	M	T
S	.9201	.5986	.6317	.3422	.5266
Q	-	-	-	-	-
L	.6288	-	-	-	-
R	.6264	.4455	-	-	-
M	.3686	.6061	.3207	-	-
T	.4963	.8930	.4053	.7994	-

All correlations are positive.

From the above data multiple correlations were obtained as follows:

Table A-2

Correlations of Economic Variables and Quota with Average Sales Per Farm for Iowa and Illinois Counties

Correlated variables	Iowa	Illinois
Sales with all variables, including quota	.9145	.9419
Sales with all economic variables (excluding quota)	.7744	.7625
Sales with quota	.8308	.9201

These figures indicate that a very close prediction of sales can be made from a combination of economic variables with quota in either state and that the contribution of economic variables to differences in sales among the counties is about the same in both states. Predictions of those counties whose sales fall above and below their quotas can be made on the basis of the economic data. However, the contribution of quota is considerably higher in Illinois than in Iowa. A possible explanation of this is that the lower quotas in Illinois are more effective in determining

sales because they are easier to "make". In Iowa the economic factors probably act as limiting factors as a result of the higher quotas.

The correlational data were further used in the development of regression equations for predicting average sales per farm in each county from all other variables combined. These equations follow:

For predicting average sales per farm for Iowa counties quota included:

$$S = .78709 Q + .0087453 L + 15.025184 R - 1.83679 M - 4.51606 T + 73.96$$

For predicting average sales per farm for Illinois counties, quota included:

$$S = .80638 Q + .0083337 L + 3.60852 R - 2.93450 M - .63244 T + 96.28$$

For predicting average sales per farm for Iowa counties, quota excluded:

$$S = .022331 L + 28.636043 R - 5.88880 M - 5.18937 T + 433.97$$

For predicting average sales per farm for Illinois counties, quota excluded:

$$S = -.016496 L + 17.30679 R - 4.18764 M - 1.12793 T + 102.52$$

The relative importance of these variables in the determination of sales is shown in the following table.

Table A-3

Optimal Weighting of Independent Variables in Predicting Sales Variable

Variable	Iowa		Illinois	
	Quota included	Quota excluded	Quota included	Quota excluded
Q	.455 (+)	-	.620 (+)	-
L	.061 (+)	.166 (+)	.254 (+)	.465 (+)
R	.229 (+)	.439 (+)	.043 (+)	.273 (+)
M	.073 (-)	.239 (-)	.154 (-)	.205 (-)
T	.182 (-)	.171 (-)	.029 (-)	.057 (-)
Total	1.000	1.000	1.000	1.000

+ Plus and minus included in the parentheses indicate the direction of the relationship.

The regression equations for predicting sales from the four economic variables are based on the above weighting. Assuming that the maximum bond sales possible have been obtained in Iowa counties, the regression equation for Iowa counties may be used to predict potential bond sales for counties in other states where the values of the economic variables are known. This has been done for the four sample counties in Iowa and Illinois in Table 24. Since predictions are on a "per farm" basis, the predicted sales for each county is multiplied by the number of farms in that county and the total of these values is presented in the table. In Table 25, similar total sales per farm are obtained for all rural counties in each state based on the Iowa regression equation to obtain a figure for potential sales in Iowa and in Illinois. This estimate of potential sales is based on the assumption that Iowa has realized the maximum sales possible (which may not be true) and the assumption that economic variables have the same relationship to bond sales in Illinois that they do in Iowa. In other words, if the Illinois campaign had taken advantage of the economic potentialities in Illinois to the same extent that the Iowa campaign took advantage of the economic potentialities in Iowa, the regression equation gives an estimate of the potential sales in Illinois. Although the average potential sale per farm is larger in Illinois counties (partly because of larger farms in that state) the total potential sale in Illinois is smaller than that in Iowa because of the smaller total number of farms in the rural counties in Illinois (Table 25). However, the difference in actual sales is much greater than the difference in potential sales.

As a check on the procedure described above, the regression equation obtained for predicting sales per farm in Illinois counties was applied to Iowa counties (Table A-4). This serves to predict what sales would have been in Iowa if the Iowa campaign had taken no more advantage of the economic potentialities in Iowa than the Illinois campaign did in Illinois. The ratio of potential sales in the two states is practically identical to that based on the regression equation for Iowa counties. (See following table)

Table A-4. Prediction of Sales in Iowa and Illinois based on Regression Equations for Sales per Farm for Each County in Iowa and Illinois

	Iowa	Illinois	Iowa-Ill. ratio
Total potential sales in all rural counties based on Iowa regression equation	\$36,708,133	\$74,913,070	1.16
Total potential sales in all rural counties based on Illinois regression equation	\$42,828,072	\$37,086,830	1.16
Actual sales	\$35,580,000	\$38,840,000	2.36
Number of farms in rural counties	164,926	118,299	1.33
Potential sales per farm in rural counties based on Iowa regression equation	\$659.68	\$644.14	.87
Potential sales per farm in rural counties based on Illinois regression equation	\$275.44	\$318.89	.87
Actual sales per farm	\$887.05	\$309.75	1.80

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

Count
417

MEMORANDUM

For Administrative Use Only

March 30, 1943

Program Surveys Division

ATTITUDES OF IOWA AND ILLINOIS
FARMERS TOWARD FARM PRICES

This memorandum presents the attitudes of 221 representative Iowa and Illinois farmers toward present farm prices. These attitudes were obtained in answer to two questions on a recent survey (as yet unpublished): "What do you think about farm prices now?" and "Do you think it would be a good idea for the prices of farm products to go much higher?" Most farmers needed little encouragement to answer and discuss these questions in some detail. Most of them presented not only their point of view, but also their reasons for holding it.

Eighty percent do not want
general farm prices to go higher

Relatively little demand for higher prices is found among Illinois and Iowa farmers. Four-fifths of those interviewed indicated that they have no desire for farm prices in general to go higher than they are at present (Table 1), although about a quarter of these qualify their statements by mentioning conditions which they believe would justify future increases. Eighteen percent were obviously satisfied with the present level of prices but gave no specific reasons why prices should not go higher. Two such cases are illustrated in the following quotations:

"I'm tickled pink the way they are now. All farm prices are very good."

"I figure if I can't make money out of farming now, I'm doing the country an injustice by staying on the farm."

The reasons which other farmers give for keeping farm prices from going higher show that many farmers are thinking of their own welfare from a long-term point of view. Boom-time profits now might be very acceptable from one point of view, but they could not compensate for the drop which many farmers feel is the inevitable follow-up to abnormally high prices. Eighteen percent mentioned or described inflation as an undesirable consequence of higher prices, and an additional 12 percent mentioned the drop which could be expected to follow excessively high prices. The experience of many farmers with the post-war depression of 1921 and the post-boom depression of 1933 is evident in their answers. One gains the definite impression from the interviews with these farmers that they would sacrifice a great deal of temporary profit for long-term stability and security.

Table 1: Attitudes Toward Present Price Level

<u>Prices should not go higher</u>		
No reason specified	16	} 58%
Higher prices will cause inflation	18	
If they go higher the drop later will be bad (like last war)	12	
Non-farm consumer suffers	6	
Other prices should come down	2	
<u>Prices should not go higher - conditional</u>		
Unless prices of things purchased rise	17	} 22
Unless labor costs on farm go higher	3	
Unless taxes go higher	1	
Unless defense workers' wages go higher	1	
<u>Prices should go higher</u>		
Because prices of things purchased have not been kept in line	10	} 17
Because farm labor costs are so high	3	
Because defense workers get paid so much	1	
In order to increase production	1	
In order to make it possible for farmers to pay debts	1	
No reason specified	1	
Not ascertainable	3	
	100%	
	N=221	

In addition to those farmers who oppose further price-rises on the basis of a long view of their own welfare, there is a smaller group which shows a genuine interest in the effects of high prices on non-farm consumers. For some, this concern about reduced consumption is in part concern about the reduced demand for what a farmer has to sell (rather illogical at the present time), but a number of farmers show an understanding of the effects of rising prices on those who live in cities on relatively fixed incomes.

Some of the reasons farmers give for not wanting price rises are illustrated in the following quotations:

"No sir, I don't! I think they're all right like they are. Some farmers would like to see hogs up to \$25 a hundred, but not for me."

"I always figure if prices go too high they'll have to drop later on. I don't want to go through again what I did a few years back, when we were just able to make expenses and a living off the farm and that was all. Maybe the corn farmers think different than I do about prices, but for a livestock farmer like me I think prices are high enough right now. If they'll keep prices at present levels it will be all right."

"No, I don't think prices should be any higher than they are now. This is no time for us to be making a lot of money; what we have to think about is getting enough food for the boys who are sacrificing a lot more than we are in the service."

(Do you think it would be a good idea for the prices of farm products to go much higher?)

"I don't believe it would because if they go much higher labor will want more money and if they get it then we will want more and that is the way it goes."

"Have you ever been drunk? Drunk so that you felt it the next morning? That's what happens when wages and prices start chasing each other around in a circle. It's a horse race and it's no good for anybody. I think it would be better if hogs was 12 cents. No, I don't want to see skyrocket prices."

Present satisfaction with prices depends for 22 percent on other conditions remaining the same

Although most farmers are satisfied with farm prices now, about a fifth of those interviewed indicated that their satisfaction with

present prices was contingent upon other prices and wages remaining in line. The parity concept was evident in their opinions. Most of their concern was about possible future increases in living and operating expenses. A future increase in the prices of things the farmers have to buy was most frequently mentioned as an adequate justification for future price rises. Farm labor costs were mentioned by three percent and a very small proportion mentioned taxes. A factor not directly related to farm expenditure, namely, increases in defense workers' wages, was mentioned as a justification for future farm price rises by only one percent of the respondents.

Seventeen percent want
farm prices to go higher

Less than one-fifth of the farmers interviewed indicated a demand for higher farm prices. The reasons given for this demand largely involved the assertion that the conditions mentioned in the previous paragraph - prices of things a farmer purchases, farm labor costs, and defense workers' wages - were already out of line with farm prices. These three conditions are mentioned with almost equivalent frequencies by two groups. One indicates that if these factors get out of line, then farm price increases would be justified, while the second group demands price increases now, basing this demand upon the assertion that these conditions are now out of line with farm prices.

Quotations from farmers who want higher prices follow:

"According to everything else, it ought to be higher. I mean according to the stuff you have to buy and according to what people are getting in factories. Well, if they keep the other stuff down like I said, it don't make much difference. But if other things is raised, then the prices should go higher. There's too much difference now between what you've got to buy at the store and what raises the farmers got so far. People don't realize what it costs to farm. There are fellows in town who think it costs nothing to put our your crop and tend it."

"Well, I don't know. They could stand to go higher the way we have to buy things. That's one reason farmers are leaving the farm, because they can't pay enough to keep their hands on the farm."

"I think they ought to go higher unless they put the other stuff back equal with it."

The relationship between farm prices and other economic factors, especially those most directly affecting the farmer, is obviously playing a large part in the farmers' attitudes toward prices. However, it is clear that at present the opinion that farm prices are out of line with other prices is limited to relatively few farmers in Iowa and Illinois.

Table 1. Percentage of Income Spent for Bonds

Percentage of Income	September 1942	March 1943
Owens no bonds	23%	20%
Less than 6%	18	14
6-10%	31	36
Over 10%	12	11
Not ascertainable	<u>16</u> 100%*	<u>19</u> 100%
		N=590

* Percentages in this column refer to the urban portion of the September study. This represented about 70 percent of the weighted sample of 535.

Table 2. Method of Bond-Buying

Method	September 1942	March 1943
Regular - own plan	23%	10%
Regular - payroll deduction	38	43
Irregular	11	25
Does not own a bond	23	20
Not ascertainable	$\frac{5}{100\%*}$	$\frac{2}{100\%}$

N=590

* Percentages in this column refer to the urban portion of the September study. This represented about 70 percent of the weighted sample of 535.

Table 3. Fear of Non-Redemption of Bonds*

	September 1942	March 1943
Respondent himself fears that bonds may not be redeemed	2%	5%
Respondent says "other people" fear that bonds may not be redeemed	5	16
No fear of non-redemption expressed	<u>93</u> 100%	<u>79</u> 100%
	N=535	N=590

* There was no direct question in the questionnaire on redemption of bonds. Expressed fears about the redemption of bonds were spontaneously brought forth by the respondent at one point or another in the course of a general discussion about bonds.

Table 4. Fear that War Bonds May Not be Redeemed
as Related to Geographical Region*

Region	Indicates Fear	Indicates No Fear	Total	Number
Mid-West	29%	71%	100%	183
West Coast	29	71	100%	66
New England	22	78	100%	100
Middle Atlantic	16	84	100%	149
South Atlantic	10	90	100%	<u>92</u> 590

* For purposes of regional analysis two types of expression of fear are combined: (1) those who express the fear directly as their own belief, and (2) those who assert that others have this fear.

Table 5. Fear that Bonds will not be Redeemed as Related to Percentage of Income Spent for Bonds for Two Groups of Buyers

<u>Group I. "We Decided How Much to Buy"</u>			
	<u>Buying 1-5%</u>	<u>Buying 6-10%</u>	<u>Buying More than 10%</u>
Indicates fear	26%	22%	16%

<u>Group II. "We are Buying What They Asked"</u>			
	<u>Buying 1-5%</u>	<u>Buying 6-10%</u>	<u>Buying More than 10%</u>
Indicates fear	10%	18%	39%

Table 6. Magnitude of Bond Purchases by Regular Buyers as Related to How They Decided What Percent to Buy *

Regular Magnitude of Purchase	We Decided	They Asked
1-5% of income	22%	8%
6-10% of income	44	82
11-15% of income	15	6
16% or more	10	1
Not ascertainable	9	3
	<u>100%</u>	<u>100%</u>
	N=275	N=209

* Only regular bond buyers included in this table.

April 7, 1943
4:18 p.m.

Operator: Go ahead.

William Robbins: Yes, hello.

HMJr: Hello, Robbins?

R: Yes, hello. Hello, Mr. Secretary.

HMJr: You're on the loud-speaker and Gaston and Peabody are both here.

R: Good. Well, I haven't anything especially to report, but I told you yesterday that I would call you from Boston.

HMJr: That's right.

R: The program today so far has consisted of a luncheon which I had with Mr. Paddock and Mr. Stubbs and Mr. Hill and Mr. Creighton....

HMJr: Yeah.

R:and then I went back to Paddock's office. I've been there for about an hour - or to Stubbs' office, I've been there for about an hour. I'm over at the War Savings office now and expect to spend - well, probably the rest of the afternoon here. Then we're going to have a little dinner tonight.

HMJr: Yeah.

R: There's nothing that I can report of particular interest, which has developed. I'm very much pleased with the optimism of the War Savings - or the Victory Fund crowd, which is the only group with whom I've talked so far.

HMJr: I see.

R: They feel that while their coverage is going to be less than they would like it to be, that the money is - the sale of the bonds is going to be very significant and considerably higher than - than it was last time.

HMJr: Good.

R: A preliminary report from a luncheon today down in Quincy shows that - that - if that's an indication at all, that they have already got pledges for over three times the quota that would be assigned to that community.

HMJr: I see.

R: So that....

HMJr: Sounds good.

R:starts off as though New England is going to give a good account of itself.

HMJr: Good.

R: Is there anything going on in Washington that....

HMJr: Not a thing. Just as quiet as always.

R: Well, that's fine, sir.

HMJr: (Laughs) Peabody's laughing his head off.

R: (Laughs) Well....

HMJr: He and I have been through a couple of wringers today, but otherwise it's all right.

R: I knew he was going through a wringer today, because he and I talked last night about the unfortunate developments with reference to our radio program, but on the other hand after talking to him....

HMJr: No, you don't....

R:I feel confident that it's going to be a good show.

HMJr: No, you don't know what happened. It can wait until you come back. (Laughs)

R: (Laughs)

HMJr: It's - over in the White House....

R: Oh.

HMJr:on this show, but it - it worked - the President did a - was a good trouper. He went through with it, but....

R: Did plans miscarry?

HMJr: What's that?

R: Did our plans - did the....

HMJr: Yeah.

R:mechanics of it break down?

HMJr: Well, somewhere over in O.W.I. Time....

R: Oh, my goodness!

HMJr: Some - time enough when you come back, but....

R: All right, sir.

HMJr: But we got good results. Why, I don't know. But it's - it's just in the day's work.

R: Yes, it seems that we're getting more than our share of bad breaks.

HMJr: No, I wouldn't say that. No - I mean we got bad breaks on this world currency and got a wonderful press.

R: Uh huh.

HMJr: I had a wonderful radio last night....

R: Uh huh.

HMJr:and we've got....

R: Oh, you'll be interested to know this, Mr. Secretary.

HMJr: Yes.

- R: I'm in the land of the savings banks now, as you know.
- HMJr: Yes.
- R: And your statement on the broad tape was a very helpful statement.
- HMJr: Oh, well, I knew that. No, we - I don't think we're getting - quite the contrary. I think we're getting very good breaks.
- R: Uh huh.
- HMJr: And I think all this - no, I - I'm - as far as our own work - I mean outside the Treasury, it's - it's the usual thing - I mean nobody helps us, and everybody likes to throw hurdles in our way, but I'm accustomed to that. But inside I'm - I'm very happy the way things are going.
- R: Uh huh, uh huh.
- HMJr: So....
- R: I think this one general observation, that I believe we might have been able to get a little bit better promotional activity in certain places if we'd - if we had loosened up on the - on the appropriation for that purpose which was put into New England back on the 17th of March and is only just loosening up a little now.
- HMJr: I see. Well....
- R: I think that was too bad that we waited that long, although we still have some chances to do things even in spite of the short time.
- HMJr: Yeah. Well, I'm glad you're up there, and when will you be back?
- R: I expect to take the Federal, I think it is. It's out of here after dinner tonight at eleven o'clock. I should be in Washington and the office early tomorrow morning.
- HMJr: You - you're an optimist.

- 5 -

R: Well, if the trains come through I think it's due in there at a reason.. - 8:10 or 9:00 o'clock.

HMJr: All right. Well, I - I - they used to leave much earlier. They don't run the Boston to Washington in eight or nine hours. There must be some mistake on that. You better check.

R: Well, it's the Federal.

HMJr: There usually is a train - well, the Federal leaves here at 8:00 o'clock at night.

R: And then it leaves up here at 11:00, I believe....

HMJr: And gets....

R:or thereabouts.

HMJr: It'll never get in here at 8:00.

R: Well, I'll be in the office ten minutes after I get there if the taxis are up.

HMJr: (Laughs) All right. Okay.

R: Righto.

HMJr: Goodbye.

R: Goodbye.

April 7, 1943
4:34 p.m.

HMJr: Hello.

Operator: Miss Tully calling you, sir.

HMJr: Hello.

Grace
Tully: Hello.

HMJr: Haven't you got your bond yet?

T: No, but I got a call saying I was to get it.

HMJr: Well, how's that?

T: Very - that's very good service, I'd say.

HMJr: Right.

T: Wonderful.

HMJr: Yeah.

T: Mr. Secretary, Friday morning at 9:30, hmmm?

HMJr: Oh.

T: No can do tomorrow morning.

HMJr: Oh, sure I can, but there was - I had a speech that I wanted him to look at.

T: Oh, and you're going to use it on Friday, you mean?

HMJr: No, I'm not - no, I'm not giving it until Monday. That - that's all right.

T: All right, fine.

HMJr: Friday?

T: Friday at 9:30.

HMJr: It's a date.

T: Yeah.

HMJr: And - you know, the President was wonderful this morning. I mean to have all that stuff dumped on his desk at the last minute.

T: Uh huh.

HMJr: Those - those scripts were over there three weeks ago.

T: They were over here three weeks ago?

HMJr: About three weeks ago.

T: Uh huh.

HMJr: And they only showed it to him today.

T: Uh huh. That can happen over here. (Laughs)

HMJr: So they tell me.

T: (Laughs)

HMJr: All right.

T: All right, fine, Mr. Secretary.

HMJr: Thank you.

T: Right. Good bye.

TO:

Message from ✓
Gardner Cowles.

OWI in London unable
to find the leak by
which the text got out.

Apparently a breach
of confidence on the
part of a smaller power.
The newspaper involved
refused to divulge
their source

3554/7/43

From: Mr. Fitzgerald

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE April 7, 1943.

TO Mrs. Klutz
FROM Mr. Feabody S.P.

It has been decided not to have the Secretary appear
on the Sunday show.

WAR DEPARTMENT
BUREAU OF PUBLIC RELATIONS
WASHINGTON

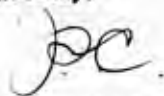
April 7, 1943.

The Honorable Herbert E. Gaston,
Assistant Secretary of the Treasury,
Washington, D. C.

Dear Herbert:

Herewith is the copy of the Secretary's
speech which was sent to me and which is enthusi-
astically approved by the War Department.

Sincerely,



JAMES S. COLLINS
Lt. Colonel, A.U.S.
Executive Office



April 7, 1943

Used on the occasion of the filming at the White House of the President selling the first bond for the Second War Loan Drive.

Morgenthau:

Mr. President, on the 12th of April, the Treasury Department is offering the people of America an opportunity to lend their support to our fighting men in the great spring offensives by subscribing thirteen billion dollars to the second war loan.

4/7/43

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Changes made today in the draft
prepared by Smith and Albee.

Tonight I'm going to talk about something you might not expect the Treasury Department to discuss. I'm going to talk about the Second Front.

The Second Front is no military secret. We all know that, just over the horizon, we of the United Nations are piling up the thunder-clouds of the greatest attack in history. We are massing for that attack, now. The planning, the patient preparation, the bitter time when we had to take blows without returning them, because we weren't ready - all of that is past. Now we're ready to deal a few blows ourselves; and they'll be blows, I can promise you, that will rock Nazi Germany to its rotten, bloodstained foundations.

As the Secretary of the Treasury I've been given the job of seeing to it that money is available to pay for this great military offensive and others to follow. This is why we are launching the Second War Loan tonight to raise at least 13 billion dollars before the end of this month to buy materials and implements of war. We must buy shells today for big guns that will be roaring tomorrow and the day after. I'm here tonight to tell you that your help is needed. The need is real.

urgent, pressing. Ten percent is no longer enough. We are asking everyone to buy extra bonds this month, even workers who are now participating in the payroll savings plan.

In our private lives none of us deals with billion-dollar figures. I know they're bewildering.

But except for the size of the figures involved there is no mystery about financing a war. The Government of the United States is buying the best equipment ever furnished to any army. It is paying not only for equipment that reaches the fighting fronts but for some equipment that never gets there. For every ship that's sunk we must build two new ships - for every cargo that's lost we must send out two new cargoes. And that costs money. Where are we going to get it?

Well, there are several ways to get the money. We can raise it through taxes. We can borrow it from the banks. And we can borrow it from the people - and that means you.

We are now getting more money through taxes than ever before. And it ~~will be necessary~~, I have no doubt to ask for still more. But we cannot rely on taxes alone to do the whole job, and I wouldn't want to - because we could not tax with fairness on so huge a scale.

We could borrow all the money from the banks. Our credit is excellent. But for a variety of reasons, economic and social, this is also undesirable. One reason goes to the very heart of our system of government. It is important to me as I know it is to you. This is a people's war - so all of the people ought to have a part in financing it.

And I know you feel the same way about it, because 5 sixths of all the people who are earning money today have bought bonds.

As Secretary of the Treasury, I can report that 96 percent of every dollar which comes into the Treasury, through war bonds, taxes, or anything else, is spent for war purposes! When you buy an eighteen dollar and seventy-five cent ^{for a} bond, eighteen dollars go immediately into guns and planes and equipment. The 75 cents goes for ~~interest and the~~ regular expenditures of the Government.

The cost of selling bonds is indeed very small. And this is because you and your neighbors and hundreds of thousands of volunteers across the country have taken over the job of selling. I'd like to express, to all of you, my deepest gratitude. I should like to thank all of those who are helping - management and labor, for the splendid success they have made of the payroll

savings plan, under which more than 25 million working people now regularly invest almost 9 percent of their wages and salaries. I'd like to thank manufacturing and retail business firms, large and small, who have given us, free of charge, millions of dollars worth of advertising space and radio time, as has the Telephone Company tonight. And the Federal Reserve System and thousands of banks working with them - and all the others who are giving their time in this way in the service of their country.

You can feel every confidence that the financial affairs of your government are in good condition as the United Nations go on the offensive. The situation is well in hand. We know where we're going. We know how much money our armed forces will need.

During this month of April we must get 13 billion dollars. *We shall then have borrowed about 10 billion* ~~we must get 21 billion dollars~~ in the first 4 months of this year, *we will need to borrow about 25 billion* ~~26~~ during the second 4 months, and *about 25 billion* ~~23~~ in the final period of the year; a total of 70 billion dollars. *for the year*

I would like to assure you that we can afford it.

But 70 billion dollars is, of course, a lot of money. It isn't going to be easy to raise it. It

means hard work. But I have every confidence, knowing the American people, and how deeply serious they are about this war, that we will get it. We will get it from people who will scrimp and save if need be to buy these bonds. We will get it especially from those upon whom we must depend most heavily - the men and women who are making good money in shipyards and plane factories and tank production; the gallant women who used to call themselves housewives but who are working today at lathes and drill-presses in the great war plants. These are the Americans who, all together, buy bonds in amounts that a millionaire, or even all of the millionaires combined, could never hope to equal. And they'll buy more of them this year - this year when 10 percent is no longer enough.

The boys at the front are counting on them. ^{They are counting on you} ~~They~~ [^] ~~give their lives - you lead your masses.~~

All of us will buy bonds because all of us know that this is our war and that we must win it. We must win it so that nations with a bloody philosophy out of the dark ages of mankind's past will never again be able to raise a traitorous hand against neighbors wanting only to live in peace and friendly good will.

- 6 -

An hour ago I passed through a railroad station. Standing at the iron gates, saying goodbye, were boys in uniform with their girls, their wives - young couples come to the heart-breaking minute when there were no more words; when all they could do was to stand with their hands clenched so tightly together that they hurt. And as I passed them I thought of all the other young Americans whose lives have been torn into ragged bits - young architects and engineers giving up their studies; school-girls working in factories; farmers sending their wives and youngsters out to work in the fields because they can't get hired hands; business men losing what they've spent twenty years creating, because of the necessary curtailments.

By what right do the Germans, the Japanese, blight our lives, shatter our homes, whirl away our sons to drown five thousand miles from home in a scum of oil at sea, or bleed and cough their lives out in a muddy, filthy ditch? Who do they think they are? --- We know only too well who they think they are! They're the supermen, the Master Races, put here on earth to enslave the rest of us and crack the whip over our bare backs while we do their dirty chores! - they and

their 'great' armies; their great armies of sneaks and bullies that jump on weak, helpless nations when they aren't looking! The Japs, with their dreams of empire, built on lies and treachery. The Germans, who twice within the memory of living men have tried, with their Kaisers and their Fuehrers, to conquer the rest of our world. We say: "Never again!" We of the United Nations will show them who we are. We'll show them some really great armies - Chinese and Russian, British and American.

These armies are the mightiest military machine in all the history ~~of the world~~. But to us they are friends and husbands, fathers and sons. They are your boys and my boys.

They are asked to give their lives.

You are only asked to lend your money.

Shall we be more tender with our dollars than with the lives of our sons?

I thank you.

Dear Henry:

I have your letter of April 5, 1943 regarding the headline in the box on page 1 of the New York Times of the same date.

I anticipated that objections would be raised by the savings banks to such a statement, so I immediately announced to the press that the Treasury does not expect persons to withdraw their savings deposits for the purpose of purchasing new Treasury issues. I again emphasized, as I had on a number of previous occasions, that Government securities, including Savings Bonds, should be purchased out of current income and thus serve the dual purpose of furnishing funds for our war activities and of reducing the inflationary pressure of current income.

Very truly yours,

J/ HENRY

Mr. Henry Bruere
President
The Bowery Savings Bank
110 East 42nd Street
New York, N. Y.

DWB:ew 4-7-43

April 5, 1943

Savings Cut Urged Buy War Bonds

By The United Press.

WASHINGTON, April 4— Treasury officials tonight were completing plans for the second war loan drive, starting a week from tomorrow, in which the government will borrow at least \$13,000,000,000.

The Treasury's appeal will be made under the slogan "They give their lives—You lend your money." With that battle cry the Treasury will ask individuals and other non-banking investors to subscribe at least \$8,000,000,000 of the goal. To make it possible for every type of investor to take part, the Treasury will offer securities ranging from the \$25 war bond, which costs \$18.75, to \$1,000,000 bonds of other issues.

Furthermore, the Treasury will urge people to dig into all the surplus money they have to send their dollars to war. People will be asked to reduce their savings accounts to just enough to cover emergencies.

Treasury pointed out tonight that investment in government securities during the drive would help fight inflation.

Wm. B. ...

THE BOWERY SAVINGS BANK

110 EAST 42ND STREET
NEW YORK

Wm. B. ...
PRESIDENT

April 5, 1943

Honorable Henry Morgenthau, Jr.
Secretary of the Treasury, U. S. A.
Treasury Department
Washington, D. C.

Dear Henry:

Already you've heard the cries of alarm from our savings banks over the unfortunate headline in the box on page one of this morning's New York Times.

I am sorry that this type of publicity appears now and then because it tends to unsettle our depositors, etc.

You know the answer of course. We buy Government bonds almost exclusively, and heavy withdrawals compel us to sell them and realize gains, least of all the Treasury.

The enclosed copies of advertisements will show you that the Bowery continues its "all-out" cooperation with the Treasury.

Sincerely yours,

Wm. B. ...
President.

HB-encl.



CONFIDENTIAL

April 7, 1943

Dear Bob:

Here is the report that I spoke to you about over the telephone. I would appreciate hearing from you.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Robert A. Lovett,
Assistant Secretary of War for Air,
War Department,
Washington, D.C.

*Sent by D. S. Agat 11:15 a.m.
4/7/43*

CONFIDENTIAL⁷¹⁷

April 5, 1943.

Secretary Morgenthau

Emerson Waldman

As per your instructions I interviewed Martin Aircraft workers in the nearest thing to a natural, home atmosphere that is possible in Essex, Md., and in the trailer camps about the plant. (Could not attend union meeting due to fact that none was being held over weekend.) I "listened" to about 20 workers -- neither arguing with them nor asking any "leading" questions which might cause them to feel that they were expected to give certain answers. Following is a summation of their reactions:

- 1) They'd rather buy Bonds themselves than through the payroll savings plan.
- 2) All quoted "higher prices" as the reason for not buying Bonds or for not buying more Bonds than they were buying.
- 3) They said that they were buying Bonds or -- if they were not buying Bonds -- they should buy Bonds for their own futures and to "help win the war."
- 4) All expressed a willingness to do whatever the Government wanted them to do "to help win the war." It was obvious, from this, that the Martin plant workers would buy many more Bonds (their participation in the payroll savings plan is 40% at two per cent of the gross payroll) if there was a "live"

organization of foremen and/or management within the plant to stimulate and direct and explain the immediate necessity of buying Bonds with every possible dollar through the payroll savings plan.

5) All those with whom I spoke mentioned that there were Bond-buying booths within the plant. Only a few mentioned that their foreman had approached them on the idea of buying Bonds through payroll savings. Those who told of being approached by their foreman said that he had "asked them whether they wanted to buy Bonds through the payroll savings plan." The foreman had not urged them to do so. The foreman had not asked them to invest any certain percentage of their pay. The foreman had mentioned that, if they did not want to buy Bonds through payroll savings, they could buy their Bonds at the Bond-booths in the plant.

6) None of the workers with whom I spoke had any realization of or interest in inflation. None had any idea of the importance of Bonds in helping to keep prices down. None -- as a matter of fact -- seemed to have any idea of the importance of his individual job in the war. Strangely, none introduced the war into the discussion other than to say that buying Bonds "helped to win the war." In no case was there any sense of urgency either about their jobs or in buying Bonds to aid the men in the front lines.

7) The main thought motivating those with whom I spoke was equality of wages with others in the plant; with other workers in other aircraft plants.

In addition to speaking with workers of the Martin plant, I interviewed minor executives of the CIO, in Baltimore, who had had contact with workers in other airplane and war plants. Also, I spoke with individuals who worked in other war industries in the Baltimore area. Their reactions on the war and on Bond-buying were much keener than that of Martin plant workers.

1) A woman whose husband worked at the Bethlehem steel plant in Baltimore said that her husband was a member of the plant's ten per cent club ... that they were keeping on with their Bond-buying through the payroll savings plan even though prices are rising and they have five children to feed and care for. They have 25 Bonds and "no matter the sacrifices the war effort is worth it to me." She said that foremen contact all workers at the Bethlehem plant and contact them regularly after they have signed up, to get them to increase their allotments.

2) Herewith some reactions and quotes, following conversation with CIO executives: a) "I never saved any money before I started buying Bonds. Now I haven't any money to spend but I've got plenty of Bonds. It's a good feeling ... War Bonds give American workers another reason to fight harder and work harder. They mean a better future..." Speaker expressed thought of shareholder in democracy idea ... partners with Uncle Sam idea ... said "War Bonds give you a feeling that you are a part of America that you own a hunk of these United States." b) One of these CIO men asked about the rate of "cash-ins" of Bonds and I gave him the figures. It seems that

the story everywhere is that Bonds have been cashed in at a tremendous rate. The CIO men were pleasantly surprised at the figures I gave them. They said that they could understand why such a small percentage of Bonds was being cashed in: "if you've got it in mind to buy something ... it takes too long to get your money out of Bonds ... so you don't bother and you don't buy that something. And there's the moral reason, too ... nobody wants to think of himself as a cheap slacker who makes out he's buying Bonds up there with the rest and then is cashing them on the side. And, then, there's the idea of the future ... a guy thinks of his Bonds for after the war is over when he'll maybe want to start up a business of his own. A \$25 Bond means a lot more than \$18.75 to a worker..." c) One of the CIO men said that "workers want to buy all the Bonds possible but prices are higher, wages are levelled off, taxes are going up..." This man spoke as a result of his experiences in covering five states which centered on the Maryland area. d) Another CIO executive gave an interesting insight on why many workers are holding onto their "cash" instead of investing every possible dollar in Bonds. Said he: "There was a fellow named Smitty, who worked in Glen Martin's Number two plant. He was a union steward. Smitty saved his money. He didn't spend on anything he didn't have to. When Smitty had saved up \$500 he quit his job. He said that his \$500 was more than his father -- a farmer -- had been able to save up in a lifetime. So, Smitty

said, he was going home (to North Carolina) and buy himself a farm with his \$500. 'I'm going to retire for the rest of my life. I won't be drafted because I'm going to be a farm worker....' e) Another CIO representative, who had come to Baltimore from Buffalo (Curtis-Wright plant) only two weeks before, said: "The workers in the Curtis-Wright plant, where I worked as a tool-maker, don't like the payroll savings plan. This plan is run by the financing branch of the company... and it takes anywhere from two to five months for a worker to get his Bond, after he's paid for it. The workers feel that the financing outfit is using the money they've paid in for Bonds as 'loan money' -- money which this financing branch lends back to the worker and for which the financing outfit charges him interest ... about 2% a month." This same CIO man -- who is attempting to organize the Martin plant workers -- said that, perhaps, one of the reasons the Martin workers were not buying more Bonds was due to the fact that their wages were lower than the wages in Baltimore's Eastern Aircraft plant... for the same work. This CIO representative also said that the main reason, though, for Martin workers not buying more Bonds through payroll savings, with a higher percentage of their pay, was lack of any systematic campaign within the plant, lack of any organization within the plant to educate the workers to the meaning of War Bonds, to the meaning and workings of the payroll savings plan. Here he brought the conversation back to the Curtis-Wright plant in Buffalo, citing this plant where wages are essentially the same as at Martin as an example of what he meant. In spite of feeling within the

Curtis-Wright plant against the handling there of the payroll savings plan, the workers were buying Bonds through this plan: "The foreman contacts every new worker, the day he starts work, and asks him to sign up in the payroll savings plan ... giving him a pep talk on Bonds. Three or four times a year, the foreman contacts every one of the workers in his group and asks for an increase in the worker's allotment for Bonds.

Following are individual reactions by Martin plant workers:

- 1) The wife of a Martin plant worker -- interviewed at a trailer camp, her home, near the plant -- said "No... I'm not buying and my husband is not buying Bonds. I wouldn't mind if he bought Bonds out of his pay at the plant. He's just never done it... Yes... they ask you at the plant if you want to buy Bonds out of your pay..."
- 2) Husband and wife (husband works at the Martin plant): They were not interested in discussing Bonds. Wouldn't say whether they were buying or not. Wife said "they have a booth at the plant."
- 3) Martin plant worker from North Carolina ... is buying Bonds "with what I can afford. No ... I'm not buying on the payroll plan. I'm buying them myself. I don't like anybody to take anything 'out of my time.' I like to 'pay it out myself.' I'm buying Bonds and sending them home for my four-year-old son ... and to help win the war."
- 4) In connection with the above interview it is interesting to note that most of the workers with whom I spoke do not have their wives and families with them -- due to housing conditions and the high cost of living in Essex and other areas near the

plant. "Rooms For Rent" signs mean one-fifth of a room is for rent... there are five beds in most of these "rooms". Often, these rooms -- in private homes -- are fixed-over attics.

5) A Martin plant worker -- about 40 years old -- said "no payroll savings plan for me. I buy Bonds when I get the money ... when I have the money to spare. I got obligations at home ... the wife. That comes first." Said he had been contacted by the foreman on buying Bonds through payroll savings. Didn't like the plan because -- in addition to above reasons -- "you got to wait from a couple of months to five months before you get your Bonds." As this man got to talking he "warmed" to the subject of War Bonds -- in the abstract -- saying that he's got two brothers in service. And he knows what War Bonds do to help them. At one point in the conversation he said that he had "a few Bonds," at another point in the conversation that he had no Bonds. He said that he "wasn't going to work today ... I'm taking the wife to Baltimore" (that was on Saturday). "When I get well I'm going to buy some War Bonds... they'll help my brothers, I know."

6) A descendant of a man who arrived in America in 1732 was the only one who seemed to have an understanding of the part his job was playing in helping to win the war ... in the part his War Bonds were playing to help win the war. He said that there was no campaign or drive in the plant to influence him to buy Bonds through either the payroll plan or at the booth.

He'd heard about the payroll plan over the radio (Almost all the Martin workers mentioned hearing about War Bonds over the radio. Due to dislocated housing conditions they depend on the radio for their news as well as their entertainment.). He was buying Bonds with five per cent of his pay. He was paying income taxes and the Victory tax, and would pay more and buy more Bonds "if necessary". Said he: "If we lose the war I lose everything. Money in Bonds helps to win the war ... War Bonds are the best investment I can make... because if anything is good they are. If we lose the war everything isn't worth anything ... anyway. ...I'm going back to the farm after the war. There won't be any airplane jobs like this after the war...War Bonds will give me a stake on the farm after the war... It's the only way to save money..." He mentioned, as the reason he was not putting more of his pay into Bonds, higher prices. "It's so hard to save a penny these days..."

7) A man who'd been working at the Martin plant for eight months said that he had not "started buying Bonds yet. Been sick..." (almost all of those who were not buying Bonds or were buying very few Bonds mentioned being sick or that their wives or other relatives were sick.) He knew very little about War Bonds and said that nobody had asked him to buy Bonds out of salary, through the payroll plan.

8) This Martin plant worker had been buying Bonds himself. Said he didn't like the payroll plan because he liked to see his Bond when he paid over his money. He wasn't buying Bonds now and had cashed in all his Bonds... to pay for his wife's illness. He'd start buying again, when his wife was well and he'd paid all his bills. "Bonds help to win the war... everybody is interested in buying Bonds... everyone at home is willing to put into War Bonds and taxes all that the Government feels is necessary to do the job...." He had no ideas on whether a worker ought to buy Bonds with ten or any per cent of pay ... idea was "what a man can afford..."

EMERSON WALDMAN

Emerson Waldman is employed as a Senior Advertising Specialist, CAF-12, \$4,600 per annum, in the Radio and Press Division of the War Savings Staff.

Waldman is 31 years of age, married, with one daughter three years old. After completing high school, he had three years at the University of Wisconsin, majoring in Journalism. His prior employment was as follows:

<u>Employer</u>	<u>Position</u>	<u>Length of Service</u>
Steve Hannagan, Associates, New York City	Writer and Advertising Specialist	2 years
National Broadcasting Co., New York City	Writer, publicist, advertising spec.	2 years
Trans-Radio Press Association, New York City	Writer and editor	1 year
Washington Daily News, Washington, D. C.	Reporter	1 year
Scripps-Howard Newspaper Alliance, Washington, D.C.	Secretary, analyst and writer	1 year

Character investigation was summed up by the investigating agent as follows:

"This investigation has revealed that this appointee is a man of good character and reputation, he has never been known to display any disloyalty to this Government, and, in my opinion, he merits the confidence of this Government relative to his retention in the Service."

He has been given an efficiency rating of "Very Good" by the War Savings Staff.

Am

April 7, 1943.

FROM: MR. SCHWARZ'S OFFICE

TO: Miss Chauncey

Mr. Hemingway gave his approval from New York at 4:30pm to our making this letter public. After my earlier call, he had called St. Louis and had the letter read to him, after which he said we should go ahead and give it out.

@ 4/9

APR 7 1943

Dear Mr. Hemingway:

Receipt is acknowledged of your letter of March 29, 1943, referring to my letter of March 11 addressed to Senator Byrd in connection with the report of the Joint Committee on Reduction of Non-essential Expenditures with respect to the Regional Agricultural Credit Corporation.

I note you feel that the banking institutions of the country believe I have no particular concern for the welfare of the country banks and that my letter of March 11 to Senator Byrd indicates a change in attitude regarding the desirability of utilizing to the fullest extent possible local banking resources to supply the credit needs of the farmers.

There has been no change in my attitude and I favor the utilization of local banking resources to supply farm credit to the fullest extent possible. My letter of March 11 to Senator Byrd was occasioned principally by the form of the proposed report of the Joint Committee, which Senator Byrd submitted for my comments prior to its submission to the Congress. My objections to the Committee report were based more on the matter of its form than on the recommendations which it contained. The production of sufficient food for ourselves and the nations associated with us is one of the most important problems we face today and I feel that the Committee's recommendation for the abolishment of the RACC should have been preceded by its recommendation for amendments in existing law so as to take care of those cases of agricultural credit of a type which involve risks that private lending agencies should not be expected to assume.

In my letter to Senator Byrd I agreed with the proposed Committee recommendation that consolidation of agricultural lending agencies and the policies under which those agencies will operate should actively be considered by the Congress. I believe this should be done in a constructive manner, but we should be careful and not do anything at this time which might jeopardize the food production program.

The amendment of the Regional Agricultural Credit Corporation regulations and the instructions issued to the representatives of that Corporation under which county bankers associations (or the bankers in the county if there is no

such association) are invited to name representatives or a committee to meet from time to time with the Chairmen of the County War Boards and representatives of other credit agencies operating in the counties, to discuss credit problems relative to maximum production and the types of loans made by the different agricultural agencies, to coordinate loan policies, and to make sure all legitimate credit requirements of farmers are met, will go a long way in solving some of the initial objections to the RACC credit program.

I shall be glad to discuss this matter with you when you have an opportunity to be in Washington again.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. W. L. Hemingway
President, The American
Bankers Association
Mercantile-Commerce Bank
and Trust Company
St. Louis, Missouri

Photo file in Diary
File to Thompson

THE AMERICAN BANKERS ASSOCIATION
OFFICE OF THE PRESIDENT

MERCANTILE-COMMERCE BANK AND TRUST CO.
ST. LOUIS, MISSOURI

W. L. MCKINNEY
President

15491

March 29, 1943

Honorable
Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

Dear Mr. Secretary:

Your letter of March 11 addressed to Senator Byrd, Chairman of the Joint Committee on Reduction of Non-Essential Federal Expenditures, which was published in the American Banker, and the subsequent explanation by you of the letter, also published in the American Banker, have caused much concern to many bankers. They fear this indicates you have no particular concern for the welfare of the country banks. I do not share that feeling, for I have heard you, on so many occasions, express your interest in maintaining the soundness of the American banking system.

I must admit, however, that we are experiencing difficulty in explaining this to the country bankers, because it is their feeling that your letter of March 11 and the subsequent statements emanating from your press conferences show a change in attitude.

Had you been present at the hearings of the Byrd Committee and heard all the testimony, I think you would have been convinced that there is ample credit and also that enough credit facilities are now available to the farmer to take care of all production needs. It was clearly demonstrated that credit is not the bottleneck to production. The bottlenecks are machinery and manpower.

We are all so much engaged in plans for the April drive that I cannot leave here at this time, but after the drive is over, I should like very much to have the opportunity of discussing this subject with you.

We have received replies from over 10,000 members of this Association on the subject of the RACC. In recent years nothing has aroused such resentment as the revival of this agency of government.

With kind regards,

Sincerely yours,

W. L. McKinney
President

INCOME AND EXCESS PROFITS TAXES

FOR MARCH 1943

AS COMPARED WITH MAR. 1942

BY

FEDERAL RESERVE DISTRICTS

	<u>Mar. 1943</u>	<u>Mar. 1942</u>
BOSTON	\$ 347,839,896.92	\$ 236,471,789.09
NEW YORK	1,181,639,059.13	799,305,521.98
PHILADELPHIA	373,729,792.94	220,838,221.35
CLEVELAND	544,729,375.92	349,999,089.98
RICHMOND	269,942,052.30	181,050,975.16
ATLANTA	193,910,994.63	126,261,363.11
CHICAGO	863,289,852.46	604,170,493.56
ST. LOUIS	133,576,742.43	79,381,720.31
CINCINNATI	102,490,583.89	43,456,563.93
DENVER	167,482,001.14	85,785,837.25
KANSAS CITY	116,352,065.80	78,067,411.92
SAN FRANCISCO	<u>382,513,980.74</u>	<u>235,900,616.18</u>
TOTAL, FEDERAL RESERVE BANKS . . . \$	4,677,496,398.30	\$ 3,040,689,603.82
TERRITORY OF HAWAII *	<u>4,094,029.12</u>	<u>3,039,554.84</u>
TOTAL \$	<u>4,681,590,427.42</u>	<u>3,043,729,158.66</u>

* Reports March 15, 16, 17, etc. not yet received.

✓
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FROM: MR. SCHWARZ'S OFFICE

TO: The Secretary

In response to your suggestion this morning, George Cullen of the AP asks if he and Wilcox can bring Degges up to assure you of good will on the part of the Treasury Correspondents. They say Degges has not told them where he got the copy but expresses regret over the embarrassment he has caused.

@ 47
3:03 pm

PARAPHRASE OF TELEGRAM SENT

TO: American Embassy, London, England

DATE: April 7, 1943, 1 p.m.

NO.: 2161

THIS IS A MESSAGE FROM THE SECRETARY OF THE TREASURY FOR MR. CASADAY.

Reference is made to the Embassy's no. 2418, dated April 6, 3 p.m. and to the Department's no. 2144, dated April 6, 8 p.m.

The text of the Treasury's draft proposal which was cabled to you in the Department's telegram under reference and also released to the newspapers represents the latest revision thereof. Only the draft which was cable yesterday should be published in London. You are free to have it mimeographed and given out as may be deemed fit by the Ambassador.

HULL
(FL)

April 7, 1943

Messrs. Paul and Pehle
Secretary Morgenthau

In reply to your letter of April 6th, I would like to give the President a little information about how successful we have been in restricting importation of currency into this country, and then draw our own conclusion that this undoubtedly had had a great deal to do with the fact that there has been so little sabotage.

Handwritten notes:
Paul & Pehle
to Morgenthau
re letter of April 6th
w/1/43
(This information
was sent to the President
re: to the Pauls
April 7, 1943
(to read)

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE APR - 6 1943

TO Secretary Morgenthau
FROM Randolph Paul

You may be interested in the following concerning the effectiveness of the Foreign Funds Control activities of the Department.

Attorney General Biddle recently stated that there has been no active sabotage during this war.

J. Edgar Hoover, who is directly responsible for the internal security of the country, in his most recent report states:

"...the widespread control over the importation of United States currency into this country, which has been imposed by the Treasury Department, and the restrictions imposed by various Latin-American nations over the transfer and use of American currency, have reportedly resulted in placing considerable difficulty in the path of axis agents attempting to use United States currency in nations in the Western hemisphere for the financing of subversive activities.

"The rigid control which has been exercised by the United States Government over the funds of individuals and corporations in the United States which might reasonably be used for purposes inimical to the internal security of this country, has been strictly maintained and in some instances this control has reportedly been extended to cover funds of individuals not previously included."

- 2 -

During the last war, according to George Sylvester Viereck, the Imperial German Government used \$27,000,000 for espionage and sabotage in this country. These funds were made available by individuals and businesses in the United States.

During this war, the eight would-be saboteurs who came to this country from Germany found it necessary to bring their money with them since any individual or business likely to be sympathetic to enemy interests is regulated by Foreign Funds Control.

R. E. P.
W. J. C.

April 7, 1943

Meeting of Cabinet Group Subcommittee
on Dollar Position of United Nations
Mr. White's Office
April 7, 1943
4:15 P.M.

Present: Mr. Acheson of State Department
Messrs. Knollenberg and Denby of Lend-Lease
Messrs. Coe and Scheuer of E.S.S.
Mr. Neff of War Department
Mr. White, Miss Kistler and Miss Nielsen of
Treasury Department

The meeting opened with a discussion of the possibility of reciprocal aid for the pay of the troops and for Army supplies. Mr. Neff made some corrections in previous figures given for Army pay and for Army supplies bought locally. The revised figures showed that the amount of the Army's petty cash purchases is too small to be of much use in reducing Britain's balances.

The next topic of discussion was extension of reciprocal aid to cover purchases of raw materials. Mr. Coe reported that E.S.S. would prefer a cut in lend-lease as this method would require no new mechanism. He agreed, however, that increased reciprocal aid would be good policy if the United States could get the goods through a financial arrangement whereby Britain would pay us for contracts already written. Mr. Coe and Mr. Scheuer were both opposed to renegotiation of contracts because of the probable delay in deliveries. Mr. White pointed out that this objection because of administrative problems was the same as that being made by Canadian procurement officials. Mr. Denby said that the War Shipping Administration has a satisfactory arrangement under which it buys the sterling it needs in New York and bills Britain periodically. Mr. White asked Miss Kistler to find out more about this procedure.

In a discussion on transfer of stockpiles, Mr. Scheuer pointed out that it would be unfair to ask the British to transfer to us the 150 million stockpile of wool which the British are building up in this country at our request. This is contrary to the earlier procedure under which the United States had purchased the wool. The transfer of the wool stockpile would merely preclude future accumulation of dollars, rather than reduce present holdings. For the latter purpose, we might ask the British to put current shipments for private users of \$5-100 million a year on reciprocal lend-lease. The only other important British stockpile known to be in the hemisphere is the diamond stockpile in Canada. Mr. Scheuer stated that because of sorting problems we will need to buy 5 million carats in England.

Division of Secretary
Research

- 2 -

The possibility of putting Army pay on reverse lend-lease was raised by Mr. Neff. He and Mr. Knollenberg both felt the Army was not now opposed to this policy in spite of the fact that the exception of soldiers' pay was put into the lend-lease agreements on the Army's request. Mr. Acheson pointed out that pay of soldiers had been omitted from the very first draft of the reciprocal lend-lease agreements. Mr. Coe suggested that actually the British would be giving us exchange to pay for the goods bought on British soil by American soldiers. Mr. White, Mr. Acheson and Mr. Lentz thought there might be an unfavorable reaction on the part of the British public to this arrangement as American soldiers are paid more than British and need not spend their money as conservatively. Mr. Knollenberg agreed this would be a source of trouble unless the money were to come out of the proceeds of food sales. Mr. White suggested that we do not indicate this specific purpose but make the fund for war purposes in general. Mr. Acheson pointed out that proceeds of food sales amount to \$800 million a year and the desired reduction in British balances is only \$250 million. The proposal would then be made to take the whole amount. Mr. Coe suggested that neither source nor purpose be indicated and that from time to time the British advance us the sterling we need for war purposes. Mr. Acheson felt that this arrangement was too big and unwieldy a weapon for the end in view and might reduce British balances unduly. Mr. White thought we could resist pressure to force British balances below the range set. Mr. Knollenberg agreed with this and suggested that such an arrangement could be defended both in this country and in England on the same basis as a fund from the proceeds of food sales.

The consensus of opinion was that the order of desirability of the three preferred methods for reducing Britain's balances is, first, reciprocal lend-lease for strategic and other imports; second, reciprocal lend-lease in the form of a kitty; and third, a reduction in lend-lease aid. It was agreed that the first and second methods might be used in conjunction with each other. It was also decided that it would be desirable not to discuss the matter with the British until after the Cabinet Group and the President have agreed to the move.

Mr. Knollenberg warned Mr. White of possible repercussions from a remark by an official in the Lend-Lease Administration to the British concerning the decision on the size of Britain's gold and dollar balances. He further stated that Mr. Stettinius and he were somewhat uncertain as to their position concerning British balances and had not previously considered the matter from all angles. Mr. White assured him that Lend-Lease could reopen the matter at any time by sending a letter to the Secretary.

There was some discussion of the advisability of restoring tobacco to Lend-Lease as a means of reassuring the British that nothing would be done to bring down their balances without prior discussion. It was decided not to do so for the present, at least, for political reasons and because of procedural difficulties.

A. L. Nielsen

Pending Matters on Britain's Dollar Position

1. Britain's Current Dollar Position

The British Government reports that on February 27, 1943, it held 1,080 million of gold and U.S. dollars, exclusive of the \$105 million of Belgian gold, as follows:

(In millions)

Gold.....	\$ 911
U.S. dollar balances.....	<u>169</u>
Total.....	\$1,080

Since the close of February, the British Government's holdings of dollars have increased \$25 million. If, as seems likely, this increase in dollars represents an increase of at least an equivalent amount in Britain's gold and dollar resources, then Britain's reserve is roughly \$100 million higher than the maximum figure agreed upon in the report to the President. Unless steps are taken to interrupt the current trend, the reserve is expected to increase by roughly \$130 million per quarter during the remainder of 1943 or to about \$1.5 billion on December 31, 1943.

2. The Need for Action to Reduce Britain's Reserve

a. Treatment of Britain's Gold and Dollar Demand Liabilities.

The magnitude of action needed to reduce these balances and to maintain them within the limits agreed upon by the Interdepartmental Committee, depends upon the treatment to be accorded Britain's gold and dollar demand liabilities.

The British claim that at the close of 1942 non-residents held \$190 million of sterling balances carrying specific rights of conversion into gold and \$47 million of registered sterling accounts convertible into dollars on demand. They assert that these liabilities are a specific claim on \$237 million of gold and dollars and accordingly must be deducted from their current holdings to arrive at a figure showing their available gold and dollar reserve.

If this position is considered as valid and these demand liabilities are subtracted from current British holdings for purposes of implementing the Interdepartmental decision, then Britain's gold and dollar reserve is still below the maximum agreed upon. In this case it would be sufficient to find ways of reducing by \$200-\$300 million Britain's anticipated excess of gold and dollar receipts during the remainder of this year.

This would also be the situation if the decision is to subtract from the British reserve the \$190 million of gold liabilities but not the \$40 million of registered U.S. sterling accounts. Such a procedure could be justified on the ground that the latter are analogous to the British private dollar balances held in this country which are not counted as part of Britain's available dollar resources.

If the decision, on the other hand, is to use the gross figure of Britain's gold and dollar holdings and not deduct the demand liabilities for the purpose at hand, then measures must be taken to reduce Britain's gold and dollar receipts by almost \$500 million during the remainder of this year.

b. Opposition of the British Government to any Reduction of Britain's Dollar Receipts.

The British have reiterated their opposition to any action which would reduce their accumulation of gold and dollars and have again stressed the heavy accumulation of sterling by India, Egypt and other Near East countries. They have also stated that there is a likelihood of India refusing to continue to accept sterling balances. They stressed the fact that the reluctance of these countries to continue to accumulate sterling is likely to be less the larger the amount of gold and dollars held by Britain.

The British Government reports that overseas countries held the equivalent of \$6 billion of sterling balances as of the end of 1942 and that they anticipate an increase in these balances of \$2.7 billion during 1943.

	Held as of <u>12-31-42</u>	Anticipated Increase <u>During 1943</u>
	(Millions of dollars)	
India.....	\$1,644	\$1,280
Egypt.....	700	320
Other Sterling Area.....	2,540	720
Allied Governments in London....	528	120
Countries outside Sterling Area..	516)	260
Enemy and Occupied Countries....	<u>156)</u>	—
Total.....	\$6,084	\$2,700

3. Alternative Methods of Reducing Britain's Balances or Curtailing Britain's U.S. Dollar Receipts.

There are four principal avenues by which Britain's dollar reserve or her current U.S. dollar receipts can be reduced. Any one of the measures or a combination of the four appear to offer sufficient scope to accomplish the objective. The alternatives are:

- a. Repayment by Britain of her short-term sterling liabilities;
- b. Extension of reciprocal aid;
- c. Reduction in lend-lease assistance;
- d. Transfer of British stockpiles and British interests in war plants in U.S. to the U.S. Government.

A. Repayment by Britain of her short-term Sterling Liabilities.

Sir Frederick Phillips has asked, if action is to be taken to reduce Britain's dollar balances, whether the British should not themselves take measures to reduce their holdings. He plans to submit a memorandum on the subject outlining the various possibilities as the British see them. He mentioned orally the following alternatives:

1. Payment in gold or dollars of sterling held by neutral countries like Portugal or by the Allied Governments in London.

According to a recent dispatch, Portugal holds the equivalent of \$155 million of sterling balances. The Allied Governments hold over \$500 million of sterling.

2. Acceleration of Repayment of the R.F.C. Loan.

Sir Frederick restated the British inquiry in terms of a payment of \$100 million to the R.F.C. without destroying the framework of the loan.

B. Extension of Reciprocal Aid.

Britain's U.S. dollar receipts could be reduced by a sufficient amount through the extension of reciprocal aid to cover a number of different items provided ways could be found to overcome administrative or other difficulties. The various alternatives arranged in the order of their apparent feasibility are as follows:

1. Spot Sterling Expenditures Made by the American Armed Forces for Supplies Within the Sterling Area.

The Army in February estimated that it would spend roughly \$130 million in British Empire and Sterling Area countries during 1943, principally in the United Kingdom and Australia. These expenditures are for supplies and materials procured locally.

(For a more detailed country breakdown see Appendix A.)

2. Public Purchases of Strategic Materials from Sterling Area Countries.

Current expectations are for payments by the U.S. Government, January through June 1943, of \$90 million to members of the British Empire and of \$25 million to other Sterling Area countries for the purchase of imported materials.

(Actual payments by countries for 1942 and estimated figures for the first half of 1943 are given in Appendix B attached. Details by area and commodity are shown in Appendix C).

3. Imports of Certain Materials now being made on Private Account.

General imports of the United States from Egypt and the British Empire (excluding Canada), January through September 1942, totalled \$515 million. This is almost \$300 million more than the aggregate of payments made by the U.S. Government during the whole of 1942 to these countries for purchases of materials. It is also \$300 million more than the anticipated expenditures on this account during the first half of 1943 converted to an annual basis.

As shown by the summary table given in Appendix D, public purchases from the United Kingdom, the Union of South Africa, New Zealand and Egypt are negligible in amount, while they represent roughly only one-half of our imports from British India and other British Colonies and Dependencies.

The most important commodities which would be involved in any extension of public purchases to cover items now being imported from the first four areas on private account are listed below along with the value of U.S. General Imports during the first nine months of 1942.

	U.S. Imports July-Sept. <u>1942</u>
Long staple cotton from Egypt.....	\$ 11 million
Public purchases of cotton from Egypt during 1942 amounted to \$1.6 million. Forecast purchases for the first half of 1943 total \$5 million.	
Diamonds and wool from South Africa	18 "
Diamonds.....	
(South African diamonds have so far not been included in our public purchase program).	

U.S. Imports
July - Sept.
1942

Wool.....	\$ 40 million
<p style="margin-left: 40px;">It is our understanding that stockpiles of South African wool in this country are British-owned and that no South African wool has been purchased by the U.S. Government.</p>	
Wool and hides and skins from New Zealand	
Wool.....	7 "
<p style="margin-left: 40px;">It is our understanding that stockpiles of New Zealand wool in this country are owned by the U.S. Government. However, wool from New Zealand is not listed in the preliminary tabulation, given in Appendix C, of public purchases from British Empire countries for 1942.</p>	
Hides and skins.....	6 "
<p style="margin-left: 40px;">This item is not listed among our public purchases for either 1942 or first half of 1943.</p>	
Whiskey and textile manufactures from the United Kingdom	
Textile manufactures.....	32 "
Whiskey.....	21 "

(Preliminary figures of U.S. general imports from the British Empire, by principal areas and principal commodities for the period, January through September 1942, are given in Appendix D).

4. Pay of American Troops Abroad.

The Army estimated in February that American soldiers would spend during 1943 from pay roughly \$500 million in the Sterling Area. It is not clear whether this figure is gross or net after deducting estimated expenditures to be made at the post exchanges or for remittances to the United States. Of the total \$500 million expected to be spent by American soldiers in the Sterling Area during 1943, \$400 million is estimated will be spent in Great Britain and Australia.

(For a more detailed country breakdown see Appendix A).

5. Miscellaneous U.S. Government expenditures Financed Through a Sterling Kitty.

Many of the problems and disadvantages of expanding reciprocal lend-lease aid to include the items listed above might be eliminated by setting up a sterling kitty to finance U.S. Government expenditures for any of a number of purposes. Such a kitty would have the further advantage of being extremely flexible. It could be limited to an amount sufficient to effect the required reduction in Britain's dollar exchange

balances or receipts or it could be expanded to cover activities wholly or partly financed by the U.S. Government and possibly to cover expenditures made by the British Government for specified purposes or to a specified amount.

If joint use were made of such a fund by both governments, one of the greatest objections to it might be eliminated. This objection is that one of the most feasible sources of funds for such a kitty, and the one with greatest political value to this Government--namely, sterling receipts of the British Government from the sale of lend-lease goods--is too large for the purpose at hand and would leave the fund with a balance at the end of the war which might create an embarrassing post-war problem.

C. Reduction in Lend-Lease Assistance.

Lend-Lease exports of industrial and agricultural commodities to British Empire Countries during 1942 totalled roughly \$1.6 billion, of which about \$1,350 million were shipped to the United Kingdom and about \$250 million to other British Empire countries.

D. Transfer of British Stockpiles and British Interests in War Plants in U.S. to the U.S. Government.

Our information is that the British Government still retains an interest in various war plant facilities in the United States toward the cost of which it contributed an aggregate of \$133 million. It is our understanding that it has been agreed to transfer title to this Government of some of these facilities which have an original cost value to the British of \$26 million. So far as we know, the transfer of these plant facilities has not yet been consummated. The value placed upon them for purposes of transfer, as of September 1942, was \$55 million.

Of the remaining \$47 million of British-owned war plants in this country, \$22 million have been stated by the British Government as suitable for transfer. The other \$25 million represent the sum of capital advances ranging in amounts from \$500 thousand to \$6.5 million.

We have no information on the value of British stockpiles in this country.

Appendix B
 Preliminary Tabulation of U.S. Government Payments to Countries Receiving
 Lend-Lease Assistance During 1942
 (Thousands of dollars)

	Transfers made on books of N.Y.F.R.B., July - Dec. 1942					Public Purchases	
	Treasury checks & U.S. currency negotiated abroad	Army	Navy	State	Total*	Actual Jan.-Dec. 1942	Estimate Jan.-June 1943
British Empire (excl. Canada)							
United Kingdom & N. Ireland	651	55,000	3,000	3,200	61,851	1,016	5,400
Australia.....	10,528	60,000	2,000	100	72,628	111,602	4,200
New Zealand.....	2,348	506	1,650	-	4,504	1,563	900
South Africa.....	696	274	-	-	970	4,634	5,100
British India.....	427	12,000	-	-	12,427	38,303	30,600
Other Empire Countries....	1,824	1,675	-	-	3,499	62,263	44,070
Total.....	16,474	129,455	6,650	3,300	155,879	219,381	90,270
Other Sterling Area							
Egypt.....	63	12,000	-	-	12,063	1,723	5,500
Fighting French Areas.....	130	100	150	11	391	2,681	3,100
Belgian Congo and Ruandi Urundi.....	-	525	-	-	525	20,108	16,900
Eastern Italian Africa, Eritrea & Libya.....	-	1,000	-	-	1,000	-	-
Iraq.....	-	600	-	-	600	-	40
Iceland.....	-	9,000	-	-	9,000	-	-
Total.....	193	23,225	150	11	23,579	24,512	25,540
Other Countries							
Liberated French Areas....	2,290	31,000	-	3,000	36,290	-	-
China.....	864	-	-	161	1,025	10,648	12,300
Iran.....	-	2,600	-	-	2,600	-	40
Liberia.....	-	-	-	-	-	-	-
Turkey.....	-	-	-	393	393	3,710	2,100
U.S.S.R.....	-	-	-	178	178	2,393	3,300
Other Lend-Lease Countries	1,468	600	-	-	2,068	621,906	522,800
Total.....	4,622	34,200	-	3,732	42,554	638,657	540,540
Total - All Countries.....	21,289	186,880	6,800	7,043	222,012	882,550	656,350

* These figures do not include payments made through the R.F.C. Custody Department.

Preliminary Tabulation of U.S. Government Payments to British Empire Countries
 other than British India, United Kingdom and the Dominions,
 July - December 1942
 (Thousands of dollars)

	Transfers made on books of M.Y.F.R.E.					Public Purchases	
	Treasury checks & U.S. currency negotiated abroad	Army	Navy	State	Total*	Actual 1942	Estimate Jan.-June 1943
British East Africa.....	28	125	-	-	153	9,711	6,900
British West Africa.....	15	950	-	-	965	1,745	-
Fiji Islands.....	1,375	500	-	-	1,875	-	-
Gibraltar.....	-	-	-	-	-	-	-
Bermuda.....	406	-	-	-	406	-	-
Ceylon.....	-	-	-	-	-	31,102	23,500
British Guiana.....	-	100	-	-	100	-	-
Palestine.....	-	-	-	-	-	-	-
Arabia.....	-	-	-	-	-	290	400
Newfoundland.....	-	-	-	-	-	2,342	1,000
Bahamas.....	-	-	-	-	-	65	100
Jamaica.....	-	-	-	-	-	110	700
Honduras.....	-	-	-	-	-	498	800
Nigeria.....	-	-	-	-	-	1,478	1,600
Sierra Leone & Gold Coast	-	-	-	-	-	9,476	4,900
Cyprus.....	-	-	-	-	-	71	-
Strait Settlement.....	-	-	-	-	-	2,470	-
British Oceania.....	-	-	-	-	-	2,851	1,800
Grenada.....	-	-	-	-	-	14	-
Trinidad.....	-	-	-	-	-	40	70
Southern Rhodesia.....	-	-	-	-	-	-	2,300
Total.....	1,824	1,675	-	-	3,499	62,263	44,070

*These figures do not include payments made through the R.F.C. Custody Department.

Preliminary Tabulation of U.S. Government Payments to French Areas Controlled
by the Allies
July - December 1942
(Thousands of dollars)

	Transfers made on books of N.Y.F.R.B.					Public Purchases			
	Treasury checks	U.S. currency	negotiated abroad	Army	Navy	State	Total*	Actual 1942	Estimate Jan.-June 1943
A. Areas Controlled by the French National Committee									
New Caledonia.....	130	-	-	100	150	-	380	-	-
Madagascar.....	-	-	-	-	-	11	11	988	900
French Equatorial Africa...	-	-	-	-	-	-	-	390	400
French Cameroon.....	-	-	-	-	-	-	-	-	500
French Somaliland.....	-	-	-	-	-	-	-	-	-
Syria.....	-	-	-	-	-	-	-	-	-
St. Pierre & Miquelon.....	-	-	-	-	-	-	-	-	-
French Oceania.....	-	-	-	-	-	-	-	324	1,300
New Hebrides.....	-	-	-	-	-	-	-	396	-
Tahiti.....	-	-	-	-	-	-	-	583	-
Total.....	130	-	-	100	150	11	391	2,681	3,100
B. Liberated French Areas in Africa									
Algeria.....	2,290	-	-	31,000	-	3,000	36,290	-	-
Morocco.....	-	-	-	-	-	-	-	-	-
French West Africa.....	-	-	-	-	-	-	-	-	-
Tunis.....	-	-	-	-	-	-	-	-	-
French West Indies.....	-	-	-	-	-	-	-	-	-
Total.....	2,290	-	-	31,000	-	3,000	36,290	-	-

* These figures do not include payments made through the H.F.C. Custody Department.

Preliminary Tabulation of U.S. Government Payments to other Lend-Lease Countries
 July - December 1942
 (Thousands of dollars)

	Transfers made on books of N.Y.F.R.R.					Public Purchases			
	Treasury checks	U.S. currency	negotiated abroad	Army	Navy	State	Total*	Actual	estimate
								1942	Jan.-June 1943
Brazil.....	1,468	500	-	-	-	1,968	90,693	135,200	
Costa Rica.....	-	100	-	-	-	100	452	2,700	
Colombia.....	-	-	-	-	-	-	36,652	34,400	
Ecuador.....	-	-	-	-	-	-	3,578	3,500	
Peru.....	-	-	-	-	-	-	2,911	6,900	
Bolivia.....	-	-	-	-	-	-	35,899	19,700	
Venezuela.....	-	-	-	-	-	-	4,062	5,700	
Nicaragua.....	-	-	-	-	-	-	3,083	3,200	
Guatemala.....	-	-	-	-	-	-	3,666	7,600	
Salvador.....	-	-	-	-	-	-	5,664	7,800	
Chile.....	-	-	-	-	-	-	134,341	68,000	
Cuba.....	-	-	-	-	-	-	205,150	152,200	
Dominican Republic.....	-	-	-	-	-	-	28,143	16,400	
Guiana.....	-	-	-	-	-	-	378	-	
Haiti.....	-	-	-	-	-	-	3,787	5,500	
Honduras.....	-	-	-	-	-	-	299	500	
Mexico.....	-	-	-	-	-	-	53,540	50,400	
Panama.....	-	-	-	-	-	-	164	200	
Surinam.....	-	-	-	-	-	-	118	400	
Uruguay.....	-	-	-	-	-	-	126	2,500	
Netherlands East Indies...	-	-	-	-	-	-	9,200	-	
Total.....	1,468	600	-	-	-	2,068	621,906	522,800	

* These figures do not include payments made through the S.F.C. Custody Department.

Preliminary Tabulation of U.S. Government Payments to Countries Receiving
Lend-Lease Assistance, January 1 - March 17, 1943
(Thousands of dollars)

Transfers made on books of N.Y.F.R.P.						
	: Treasury checks	: & U.S. currency	: Army	: Navy	: State	: Total*
	:	:	:	:	:	:
	negotiated abroad	:	:	:	:	:
British Empire						
U.K. & North Ireland.....	1,645		30,000	2,000	-	33,645
Australia.....	13,000		20,000	-	-	33,000
New Zealand.....	1,300	200		500	-	2,000
South Africa.....	110		-	-	-	110
British India.....	203		6,000	-	-	6,203
Other Empire Countries.....	2,382	500		-	-	2,882
Total.....	18,640		56,700	2,500	-	77,840
Other Sterling Area						
Egypt.....	-		3,000	-	-	3,000
Fighting French Areas.....	794		250	-	5	1,049
Belgian Congo & Ruandi Urundi....	55		-	-	-	55
Eastern Italian Africa, Eritrea & Libya.....	-		-	-	-	-
Iraq.....	20		-	-	-	20
Iceland.....	-		2,000	-	-	2,000
Total.....	869		5,250	-	5	6,124
Other Countries						
Liberated French Areas.....	2,711		22,450	-	-	25,161
China.....	3,049		-	-	132	3,181
Iran.....	-		10,500	-	-	10,500
Liberia.....	82		-	-	-	82
Turkey.....	-		-	-	90	90
U.S.S.R.....	-		-	-	101	101
Other L.L. Countries.....	5,135		-	-	-	5,135
Total.....	10,977		32,950	-	323	44,250
Total All Countries.....	30,486		94,900	2,500	328	128,214

* These figures do not include payments made through the R.F.C. Custody Department.

PUBLIC PURCHASES FROM BRITISH EMPIRE - EXCLUDING CANADA
(thousands of \$)

<u>Country of Origin and Commodity</u>	<u>1942</u>	<u>Estimated January - June 1943</u>	
<u>Australia</u>			
Wool	\$ 95,000	\$ --	
Hyoscine Hydrobromide	--	8	
Bauxite	--	56	
Beryllium	--	31	
Lead	14,885	935	
Tantalite	--	26	
Zinc	1,304	2,210	
Zirconium	405	25	
Scrap F. and N.F.	--	40	
Lithium O. and C.	--	17	
Platinum	--	10	
Livermeal	--	307	
Tallow	--	525	
Total		111,594	4,190
<u>Ceylon</u>			
Graphite	362	88	
Copra	6,828	1,365	
Tea	7,062	11,088	
Coconut Oil	2,456	1,662	
Rubber	14,394	9,274	
Total		31,102	23,477
<u>Newfoundland</u>			
Copper	600	380	
Fluorspar	--	203	
Lead	364	275	
Zinc	273	178	
Codfish	1,105	--	
Total		2,342	1,036
<u>Egypt</u>			
Cotton	1,600	5,000	
Goatskins	7	350	
Iron Ore	116	116	
Total		1,723	5,466
<u>Bahamas</u>			
Sisal	65	100	
Total		65	100
<u>Cyprus</u>			
Chrome	71	--	
Total		71	--

Source: Board of Economic Warfare

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<u>Country of Origin and Commodity</u>	<u>1942</u>	<u>Estimated January - June 1943</u>	
<u>India</u>			
Beryllium	\$ 10	\$ 30	
Chrome	59	450	
Ferromanganese	—	1,520	
Kyanite	—	88	
Manganese	1,815	1,563	
Mica (Block)	1,342	912	
Mica (Splittings)	2,339	2,160	
Talc Steatite	31	61	
Cashew Shell Oil	506	812	
Castor Oil	24	—	
Peanut Oil	65	—	
Tea	7,062	10,080	
Jute	19,000	4,500	
Sunn Hemp	125	100	
Goatskins	3,209	4,315	
Hog Bristles	46	75	
Shellac	2,570	4,000	
Cattle Tail Hair	22	50	
Total		38,225	30,716
<u>Union of South Africa</u>			
Goatskins	499	450	
Asbestos	65	1,053	
Chrome	1,187	1,970	
Corundum Ore	136	221	
Manganese	2,250	1,170	
Vanadium	495	232	
Total		4,632	5,096
<u>South Rhodesia</u>			
Asbestos	—	1,843	
Chrome	—	460	
Corundum Ore	—	25	
Tantalite	—	18	
Total		—	2,346
<u>Jamaica (W. Indies)</u>			
Goatskins	30	49	
Bauxite	—	660	
Scrap F. and N.F.	80	—	
Total		110	709
<u>Nigeria</u>			
Goatskins	687	1,400	
Mahogany	3	—	
Palm Oil	788	75	
Palm Kernel Oil	—	75	
Tantalite	—	12	
Total		1,478	1,562

<u>Country of Origin and Commodity</u>	<u>1942</u>		<u>Estimated January - June 1943</u>	
<u>Sierra Leone and Gold Coast</u>				
Mahogany	\$ 294		\$ 800	
Chrome	—		382	
Cocoa	<u>9,182</u>		<u>3,720</u>	
Total		9,476		4,902
<u>Straits Settlement</u>				
Tin	<u>2,470*</u>		—	
Total		2,470		—
<u>British Oceania</u>				
Copra	1,766		1,172	
Sugar	<u>1,085</u>		<u>620</u>	
Total		2,851		1,792
<u>New Zealand</u>				
Livermeal	—		368	
Tallow	<u>1,563</u>		<u>525</u>	
Total		1,563		893
<u>Grenada</u>				
Cocoa	<u>14</u>		—	
Total		14		—
<u>Trinidad</u>				
Cocoa	20		—	
Rubber	<u>20</u>		<u>74</u>	
Total		40		74
<u>British East Africa</u>				
Sisal	9,000		2,000	
Goatskins	421		380	
Coffee	290		3,168	
Pyrethrum	—		<u>1,350</u>	
Total		9,711		6,898
<u>British West Africa</u>				
Coffee	<u>1,745</u>		—	
Total		1,745		—
<u>British Honduras</u>				
Mahogany	497		750	
Rubber	<u>1</u>		<u>14</u>	
Total	498	498		764
<u>United Kingdom (England)</u>				
Benzol	1,016		4,877	
Cresols	—		<u>500</u>	
Total		1,016		5,377

PUBLIC PURCHASES FROM LEND-LEASE COUNTRIES, OTHER THAN BRITISH EMPIRE,
INCLUDING CANADA (thousands of \$)

<u>Country of Origin and Commodity</u>	<u>1942</u>	<u>Estimated January - June 1943</u>	
<u>Bolivia</u>			
Cinchona Bark	\$ 57	\$ 213	
Quinine Sulphate	—	14	
Totaquine	—	3	
Antimony	1,120	716	
Lead	493	390	
Tin	31,800	12,100	
Tungsten	10	4,260	
Zinc	912	346	
Copper	323	616	
Rubber	<u>1,184</u>	<u>1,008</u>	
Total			35,899 19,666
<u>Brazil</u>			
Burlap	981	1,500	
Cotton Linters	2,500	2,500	
Silk	2	—	
Goatskins	728	620	
Mahogany	—	430	
Pyrethrum	—	90	
Notenone	—	15	
Cattle Tail Hair	80	80	
Bauxite	—	214	
Beryllium	50	101	
Chrome	58	180	
Columbite	—	17	
Diamonds Industrial	3,991	2,080	
Iron Ore	—	1,685	
Manganese	1,504	2,700	
Mica	561	750	
Quartz Crystals	8,870	3,410	
Rutile	625	37	
Tantalite	129	327	
Tungsten	4	128	
Zirconium	114	21	
Lithium Ore	—	16	
Cocoa	337	3,250	
Coffee	57,438	97,762	
Tucum Nuts	59	—	
Babassu Kernels	1,900	1,900	
Babassu Oil	36	360	
Cashew Shell Oil	63	125	
Castorseed	5,870	3,750	
Castor Oil	1,232	722	
Cottonseed Oil	11	2,000	
Muru Muru Kernels	39	—	
Neatsfoot Oil	13	—	
Oiticica Oil	84	3,863	
Quercury Kernels	23	—	
Rubber	<u>3,400</u>	<u>4,550</u>	135,533
Total			90,702

<u>Country of Origin and Commodity</u>	<u>1942</u>	<u>Estimated January - June 1943</u>	
<u>Chile</u>			
Goatskins	\$ 15	\$ 35	
Iodine	—	640	
Nitrate of Soda	15,000	10,000	
Copper	116,720	55,900	
Manganese	1,523	945	
Mercury	341	128	
Molybdenum	742	370	
Total			134,341 68,018
<u>Colombia</u>			
Goatskins	—	59	
Mahogany	—	200	
Cinchona Bark	16	130	
Palsa	—	45	
Mica (Block)	—	23	
Platinum	490	245	
Quartz Crystals	—	390	
Scrap F. and H.F.	—	400	
Coffee	32,713	32,004	
Rubber	3,433	876	
Albarco	—	400	
Total			36,652 34,772
<u>Costa Rica</u>			
Abaca	—	150	
Palsa	—	56	
Cocoa	111	—	
Coffee	1,715	2,365	
Rubber	169	87	
Total			1,995 2,658
<u>Cuba</u>			
Henequen	337	675	
Binder Twine and Rope	—	840	
Goatskins	—	1	
Mahogany	20	—	
Cattle Tail Hair	25	25	
Loofa Sponges	—	108	
Chrome	—	1,350	
Manganese	1,423	3,250	
Nickel	—	820	
Tungsten	11	50	
Copper	2,021	1,010	
Scrap	190	110	
Foodstuffs	400	—	
Molasses	35,000	—	
Sugar	164,355	143,100	
Coffee	1,368	910	
Total			205,150 152,249

<u>Country of Origin and Commodity</u>	<u>1942</u>	<u>Estimated January - June 1943</u>	
<u>Dominican Republic</u>			
Goatskins	\$ 9	\$ 27	
Mahogany	8	--	
Loofa Sponges	--	5	
Cocoa	1,072	--	
Rice	236	295	
Coffee	760	1,317	
Sugar	26,038	14,775	
Miscellaneous Foods	20	--	
Total		28,143	16,419
<u>Ecuador</u>			
Rubber	1,896	946	
Goatskins	--	9	
Cinchona Bark	22	52	
Totaquine	--	8	
Balsa	420	750	
Copper	--	495	
Castor seed	21	75	
Cohune Nuts	--	50	
Coffee	1,141	1,147	
Cocoa	78	--	
Total		3,578	3,532
<u>Guatemala</u>			
Mahogany	43	200	
Cinchona Bark	33	168	
Balsa	--	8	
Loofa Sponges	--	18	
Chrome	--	68	
Mica (Block)	--	40	
Quartz Crystals	--	390	
Scrap F. and N.F.	--	25	
Coffee	3,584	6,653	
Rubber	6	22	
Total		3,666	7,592
<u>Guianas</u>			
Rubber	339	70	
Coffee	39	--	
Total		378	70
<u>Canada</u>			
Flax	--	650	
Monomeric Vinyl Acetate	--	144	
Cattle Tail Hair	18	20	
Cresols	14	45	
Alumina	2,120	1,395	
Aluminum	35,150	31,400	
Arsenic	--	308	
Chrome	25	480	
Cobalt	3,320	225	
Copper	213	4,100	

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<u>Country of Origin and Commodity</u>	<u>1942</u>	<u>Estimated January - June 1943</u>	
<u>Canada (cont'd)</u>			
Lead	\$ 7,290	\$ 1,150	
Manganese	1	90	
Mercury	1,023	1,968	
Mica (Block)	8	126	
Nickel	117	487	
Zinc	<u>1,524</u>	<u>3,190</u>	
Total			45,778
<u>Haiti</u>			
Sisal	910	1,125	
Goatskins	75	44	
Loofa Sponges	--	5	
Castorseed	140	188	
Sugar	--	1,478	
Coffee	2,659	2,661	
Rubber	<u>3</u>	<u>--</u>	
Total			5,501
<u>Honduras</u>			
Mahogany	9	200	
Loofa Sponges	--	2	
Antimony	--	25	
Copra	40	--	
Coffee	233	235	
Rubber	<u>17</u>	<u>29</u>	
Total			491
<u>Mexico</u>			
Rubber	2,097	2,316	
Henequen	6,261	6,300	
Sisal	--	280	
Istle	2,564	1,400	
Cotton Linters	--	1,500	
Binder Twine and Rope	--	3,442	
Goatskins	197	500	
Mahogany	240	1,000	
Loofa Sponges	--	9	
Cattle Tail Hair	30	50	
Tin	--	65	
Antimony	--	694	
Arsenic	152	503	
Bismuth	243	78	
Copper	1,980	5,040	
Fluorspar	--	301	
Lead	21,195	10,000	
Manganese	250	1,040	
Mercury	5,311	2,940	
Mica (Block)	--	112	
Mica (Splittings)	8	64	
Molybdenum	--	63	
Quartz Crystals	--	39	
Tungsten	<u>232</u>	<u>512</u>	

<u>Country of Origin and Commodity</u>	<u>1942</u>	<u>Estimated January - June 1943</u>	
<u>Mexico cont'd)</u>			
Zinc	\$11,780	\$ 7,930	
Strontium	--	80	
Castorseed O. or C.	--	188	
Alcohol	1,000	2,360	
Rice	--	767	
Total	53,540	50,473	
<u>Nicaragua</u>			
Mahogany	98	400	
Balsa	--	19	
Rotenone	--	70	
Coffee	2,650	2,598	
Rubber	335	217	
Total	3,083	3,304	
<u>Panama</u>			
Rubber	15	88	
Abaca	60	150	
Cocoa	89	--	
Total	164	238	
<u>Peru</u>			
Rubber	195	197	
Flax	--	1,200	
Goatskins	74	158	
Coffee	182	302	
Mahogany	93	232	
Cinchona Bark	--	80	
Rotenone Roots	--	400	
Antimony	76	119	
Arsenic	--	405	
Lead	463	2,490	
Mercury	--	43	
Mica (Block)	--	45	
Molybdenum	--	179	
Angsten	213	284	
Vanadium	--	32	
Zinc	1,615	757	
Copper	12,181	4,400	
Total	15,092	11,323	
<u>El Salvador</u>			
Loofa Sponges	--	5	
Coffee	5,664	7,812	
Total	5,664	7,817	
<u>Surinam</u>			
Bauxite	118	385	
Total	118	385	

<u>Country of Origin and Commodity</u>	<u>1942</u>		<u>Estimated January - June 1943</u>	
<u>Uruguay</u>				
Cattle Tail Hair	\$ 100		\$ 40	
Meatsfoot Oil	15		--	
Wool	<u>11,000</u>		<u>2,500</u>	
Total		11,115		2,540
<u>Venezuela</u>				
Goatskins	93		99	
Mahogany	--		75	
Diamonds	16		231	
Cocoa	29		--	
Coffee	3,717		5,250	
Rubber	<u>207</u>		<u>--</u>	
Total		4,062		5,655
<u>French Cameroons</u>				
Rutile	--		63	
Tin	--		50	
Mahogany	<u>--</u>		<u>400</u>	
Total		--		513
<u>French Eq. Africa</u>				
Cocoa	390		--	
Lead	<u>--</u>		<u>405</u>	
Total		390		405
<u>French Oceania</u>				
Copra	<u>324</u>		<u>1,347</u>	
Total		324		1,347
<u>Madagascar</u>				
Beryllium	--		6	
Graphite	588		476	
Mica (Block)	172		68	
Mica (Splittings)	228		47	
Sisal	<u>--</u>		<u>270</u>	
Total		988		867
<u>New Hebrides</u>				
Copra	<u>396</u>		<u>--</u>	
Total		396		--
<u>Pahiti</u>				
Copra	<u>583</u>		<u>--</u>	
Total		583		--
<u>China</u>				
Antimony	4		--	
Tin	2,405		2,125	
Tungsten	5,050		4,260	
Goatskins	289		276	
Bristles	<u>2,800</u>		<u>5,600</u>	
Total		10,548		12,261

<u>Country of Origin and Commodity</u>	<u>1942</u>	<u>Estimated January - June 1943</u>	
<u>Arabia</u>			
Coffee	\$ 290	\$ 236	
Goatskins	--	175	
Total	290		411
<u>Belgian Congo</u>			
Palm Oil	2,254	1,500	
Coffee	--	1,736	
Beryllium	--	9	
Cadmium	35	33	
Columbite	--	5	
Diamonds Industrial	1,519	568	
Manganese	--	162	
Tin	16,300	11,710	
Zinc	--	324	
Jute	--	720	
Pyrethrum	--	135	
Total	20,103		16,902
<u>Iran</u>			
Goatskins	--	43	
Total	--		43
<u>Iraq</u>			
Goatskins	--	43	
Total	--		43
<u>Netherland East Indies</u>			
Cinchona Bark	992	--	
Quinine Sulphate	958	--	
Tin	7,250	--	
Total	9,200		--
<u>Netherland West Indies</u>			
Goatskins	--	4	
Total	--		4
<u>Russia</u>			
Cotton Linters	--	337	
Goatskins	127	311	
Asbestos	266	259	
Chrome	450	500	
Manganese	--	125	
Platinum	1,325	830	
Goose Down	225	900	
Total	2,393		3,272
<u>Turkey</u>			
Chrome	2,210	1,880	
Copper	1,500	--	
Antimony (N.S.G.)	--	150	
Total	3,710		2,030
<u>Liberia</u>			
Rubber	4,500	3,500	
Total	4,500		3,500

APPENDIX D

U.S. General Imports and Government Purchases
from British Empire Countries
during 1942

(In millions of dollars)

	General Imports Jan.-Sept. 1942	Public Purchases	
		Actual 1942	: Estimated Jan.-June 1943
United Kingdom.....	84	1	5
Union of South Africa...	76	5	5
New Zealand.....	16	2	1
British India.....	88	38	31
Australia.....	121	112	4
Other Br. Empire (exclud- ing Canada).....	<u>115</u>	<u>61</u>	<u>44</u>
Total.....	500	219	90
Egypt and Anglo-Egyptian Sudan.....	<u>14</u>	<u>2</u>	<u>6</u>
Total, Br. Empire (excl. Canada) and Egypt.....	514	221	96

Preliminary Figures of General Imports of the
United States from United Kingdom and North Ireland
July - September 1942

	(In thousands)	
	July-Sept. 1942	Jan.-Sept. 1942
Whiskey.....	\$ 5,357	\$20,766
Wool manufactured and unmanufactured.....	3,674	16,326
Flax, hemp, ramie and manufactures.....	2,217	8,641
Cotton manufactures.....	1,013	3,769
Clay and clay products.....	932	3,427
Leather and manufactures.....	882	2,871
Furs (undressed).....	859	3,556
Iron and steel manufactures.....	543	1,533
Books, maps, pictures, etc.....	514	1,581
Industrial chemicals.....	418	1,330
Hides and skins.....	401	686
Paper and manufactures.....	322	1,239
Copper and manufactures.....	299	322
Tulip bulbs.....	298	298
Textile machinery and parts.....	288	821
Cotton yarn.....	286	970
Coal-tar products.....	209	1,803
Art works and antiques.....	201	1,195
Burlaps, etc. (woven of jute).....	190	1,917
Tracing cloth.....	180	444
Platinum and platinum metals.....	141	590
Glass and glass products.....	137	469
Rayon and other synthetic textile manufactures.....	127	488
Diamonds.....	124	819
Household and personal effects.....	124	378
Silk manufactures.....	115	618
Photographic (blue and brown print and similar papers)....	110	287
Medicinal and pharmaceutical preparations.....	76	241
Pigments, paints and varnishes.....	72	256
Electrical machinery and apparatus.....	72	214
Abrasives and manufactures.....	71	214
Soap and toilet preparations.....	70	247
Rubber and manufactures.....	40	456
Asbestos and manufactures.....	35	87
All other.....	2,028	7,255
Total.....	\$22,545	\$86,114

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Preliminary Figures of General Imports of the
United States from Union of South Africa
July - September 1942

(In thousands)

	July-Sept. <u>1942</u>	Jan.-Sept. <u>1942</u>
Diamonds.....	\$10,909	\$17,977
Wool.....	4,653	40,264
Furs (undressed).....	2,208	3,840
Copper.....	1,804	1,927
Hides and skins (except furs).....	1,342	3,286
 Manganese ore.....	 814	 2,372
Chrome ore or chromite.....	495	1,584
Tungsten and vanadium ore.....	397	484
Asbestos.....	389	1,150
Wattle bark and extract.....	345	952
 Lead.....	 213	 213
All other.....	513	1,742
 Total.....	 \$24,082	 \$75,791

Treasury Department, Division of Monetary Research

March 30, 1943.

Preliminary Figures of General Imports of the
United States from New Zealand
July - September 1942

(In thousands)

	July-Sept. <u>1942</u>	Jan.-Sept. <u>1942</u>
Hides and skins (except furs).....	\$3,620	\$ 6,291
Wool.....	3,290	7,159
Furs (undressed).....	724	1,152
Meat products.....	487	1,126
All other.....	143	598
 Total.....	 \$8,264	 \$16,326

Preliminary Figures of General Imports of the
United States from British India
July - September 1942

(In thousands)

	July-Sept. 1942	Jan.-Sept. 1942
Raw hides and skins (except furs).....	\$ 2,192	\$ 6,403
Tea and spices.....	1,804	7,388
Jute (unmanufactured).....	1,902	4,647
Burlaps and other woven fabrics.....	1,761	26,125
Mica, unmanufactured, films and splittings.....	1,671	4,293
Manganese ore.....	1,377	6,515
Shellac, seed, button and stick.....	1,162	5,580
Almonds and cashew nuts.....	842	3,527
Carpet wool.....	820	3,614
Furs (undressed).....	702	1,541
Oils and fats.....	688	1,410
Goat and kid hair.....	612	1,027
Leather.....	461	1,310
Jute bags.....	452	3,448
Drugs, herbs, leaves and roots.....	378	1,050
Raw cotton.....	263	2,008
Kadaya and talka gums.....	233	970
Diamonds and other precious stones.....	197	746
Oil seeds.....	167	581
All other.....	65	5,421
Total.....	\$19,241	\$87,605

Treasury Department, Division of Monetary Research March 30, 1945.

Preliminary Figures of General Imports of the
United States from Australia
July - September 1942

(In thousands)

	July-Sept. 1942	Jan.-Sept. 1942
Wool.....	\$26,957	\$ 97,852
Lead ores, mattes, bullion, pigs and bars.....	3,101	8,594
Undressed furs.....	2,786	5,473
Raw hides and skins (except furs).....	2,182	3,967
Zinc ores (except pyrites).....	511	576
Copper.....	427	521
Sausage casings.....	188	693
Zirconium ore.....	82	307
All other.....	571	2,554
 Total U.S. imports from Australia.....	 \$36,805	 \$ 120,537

Treasury Department, Division of Monetary Research March 30, 1943.

Preliminary Figures of General Imports of the
United States from Egypt and Anglo-Egyptian Sudan
July - September 1942

(In thousands)

	July-Sept. <u>1942</u>	Jan.-Sept. <u>1942</u>
Raw cotton, staple 1 1/8" and over.....	\$ 8,411	\$ 11,462
Arabic or senegal (acacia gum).....	449	913
Flax.....	115	507
Sausage casings.....	100	123
Floral essences and concretes.....	27	58
All other.....	621	1,061
 Total.....	 \$ 9,723	 \$14,124

Treasury Department, Division of Monetary Research

March 30, 1943.

U.S. General Imports from British Colonies and
 Dependencies other than British India
 July - September 1942
 (Principal sources are given in parentheses)

(In thousands)

Rubber (Malaya, Ceylon, W. Indies).....	2,516
Coffee and tea (E.Africa, Malaya & Ceylon).....	1,844
Sisal, jute and henequen (W.Indies, E. Africa).....	1,549
Ore & concentrates (W.Africa, Southern Rhodesia).....	1,468
Hides and skins (E. & W. Africa).....	927
Cane sugar (Oceania, Palestine & Cyprus).....	747
Copper (Southern Rhodesia).....	735
Industrial diamonds (W.Africa, Palestine & Cyprus).....	703
Cocoa & Cacao beans (W. Indies & W.Africa).....	664
Asbestos (Southern Rhodesia).....	609
Graphite (Malaya & Ceylon).....	589
Spices (W. Indies, E.Africa).....	529
Copra (Oceania, Malaya & Ceylon).....	396
Coconuts & coconut oil (W. Indies, Malaya & Ceylon).....	302
Mahogany (W. Indies).....	258
Oil seeds (E. Africa).....	204
Bauxite (Guiana).....	194
Pyrethrum (E. Africa).....	190
Essential & distilled oils (Malaya & Ceylon).....	155
Tin (Malaya & Ceylon).....	119
Lily bulbs (W. Indies).....	109
Bitters (W. Indies).....	86
Steel tanks (Malaya & Ceylon).....	71
Bananas (W. Indies).....	64
Lime oil (W. Indies).....	58
Rum (W. Indies).....	45
Cinnamon leaf oil (E. Africa).....	32
Ginger root (W. Indies).....	31
Fuel oil (W. Indies).....	18
All other.....	1,262
Total.....	16,474

Treasury Department
Division of Monetary Research

✓
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Date April 7, 1943.....19

To: Memorandum for the Files:

Sir Frederick Phillips handed this letter to Secretary Morgenthau when he came in for a conference on some other matter on April 5th. Secretary Morgenthau said that the information seemed curious and asked me to check up to make certain that the report had not been garbled.

Secretary Morgenthau also asked me to inform Feis about the message. I sent a copy to Feis and he said they were very interested in it and would make further investigation.

H.D.W.

MR. WHITE
Branch 2058 - Room 214

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELEPHONE EXECUTIVE 2020



Box 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

[Faint, illegible typed text, likely a letter or memorandum]

F. Phillips

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

FORM EXECUTIVE 2020



Box 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

April 7th, 1943.

SECRET

Dear Dr. White:

The gold and dollar figures for March, 1943 are as follows:

	<u>Mch. 5</u>	<u>Mch.12</u>	<u>Mch.19</u>	<u>Mch.27</u>
Total Gold	1035	905	906	906
Official dollar balance	<u>170</u>	<u>169</u>	<u>177</u>	<u>195</u>
Total Gold and Dollars	1205	1074	1083	1101
Less: Belgian Gold	105	--	--	--
Scattered Gold	109	122	122	115
Gold Reserve against immediate liabilities	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
AVAILABLE GOLD AND DOLLARS	<u>981</u>	<u>942</u>	<u>951</u>	<u>976</u>

You will remember that the Belgian Gold was paid off on March 9th.

Yours sincerely,

A.T.K. Grant.

Mr. H.D. White,
Director of Monetary Research,
United States Treasury,
Washington, D. C.

Treasury Department
Division of Monetary Research

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Date April 7, 1945 19

To: Secretary Morgenthau

From: Mr. White

Subject: German Gold Movements.

1. Germany is believed to have plenty of gold. In paying for imports in gold, Germany relieves the strain on production. Within the three-month period, December 1942-February 1945 Germany disposed directly of about \$51,200,000 worth of gold as follows:

Germany to Portugal	\$8,000,000
Germany to Sweden	7,400,000
Germany to Switzerland	3,760,000
Germany to Rumania	<u>32,000,000</u>

\$ 51,160,000

2. In addition \$12,300,000 worth of gold sold by Switzerland to Spain is stated to be almost certainly of German origin.

(F.P.C. Despatch Analysis, 4/6/45)

H
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BRITISH FINANCIAL CENSORSHIP SUMMARY ON
GERMAN GOLD TRANSACTIONS AND HOLDINGS
DATED MARCH 20, 1943:

GOLD TRANSACTIONS AND HOLDINGS

From confidential telegrams and M.E.W.'s periodic Financial Intelligence Reports it is shown that during the period December 1942 to February 1943 Germany disposed directly of about \$51,200,000 worth of gold and that an additional \$12,300,000 worth sold by Switzerland to Spain is almost certainly of German origin. The total for the three months of \$63½ million is made up as follows:

(a) Germany to Portugal	\$8,000,000
(b) Germany to Sweden	7,400,000
(c) Germany to Switzerland	3,760,000
(d) Germany to Roumania	32,000,000
	<u>\$51,160,000</u>
(e) Switzerland to Spain	12,320,000
	<u>\$63,480,000</u>

(a) Germany/Portugal

The gold is sold direct by the Reichsbank to the Bank of Portugal against Escudos and is deposited in Switzerland to account "C" at the Swiss National Bank. The Escudos no doubt are used to pay for German purchases of goods and other services.

(b) Germany/Sweden

Reichsbank, Berlin places the gold at the disposal of Riksbanken, Stockholm with the Swiss National Bank, Berne. This covers dues for German troops and material sent across Sweden to Norway and Finland.

(c) Germany/Switzerland

In this case the metal (about 3 tons) accompanied by Reichsbank officials is reported to have passed through Basle on 1st December, presumably to be sold to the Swiss National Bank.

(d) Germany/Roumania

It is reported that the German Government have shipped 30 tons of gold (approximate value \$4,000,000) to the Roumanian National Bank in order to enable Roumanian exporters of goods to Germany to be

cc: 4/3/43 Messrs. Pehle, Schmidt, Fox, Richard, E.M. Bernstein,
Delman (Control), Bray, White, Fairfax

paid. This is tantamount to saying that Germany is paying for her imports from Roumania in gold, which should suit her very well. It relieves the strain on production and she is believed to have plenty of gold. If Germany cannot or is unwilling to supply goods, then gold presumably appeals to Roumania more than blocked marks.

(c) Switzerland/Spain

The Instituto Espanol de Moneda Extranjera, Madrid bought this gold (10,000 kilos) from the Swiss National Bank, Berne and it is probable that they paid for it with Swiss francs accrued to them from German sources. It is probable that Germany originally acquired the Swiss francs by sales of gold.

RECEIVED
JAMES EARL RAY
APR 2 1973
OFFICE OF THE ATTORNEY GENERAL
WASHINGTON, D.C.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

April 7, 1943

TO Secretary Morgenthau
 FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Farm Parity - Despite Senator Bankhead's claim in Senate debate yesterday that his bill to include all government subsidies in parity calculations had been "misrepresented" by Administration forces to the effect that it would raise all food prices, every indication points to failure by the farm bloc to override the President's veto when the Senate meets today at noon. Yesterday, opening the first day of debate on the President's veto, saw the supposedly air-tight coalition welded together by the farm bloc crumble with amazing rapidity under pressure from Administration and labor sources. Chiefly responsible for the sudden split, according to Senator Bankhead, is Stabilization Director Byrnes who had been "actively contacting Senators for the last 48 hours." Mark Sullivan in his column this morning, however, explained the about-face on the grounds that many Senators "felt that having expressed their reproof to the President by the original passage, they were now free to consider the bill in the light of its effect on cost of living and inflation." But whatever the cause, Senator Bankhead yesterday conceded so many votes that he moved the bill be recommitted to the Senate Agriculture Committee in a maneuver to prevent its complete defeat. This motion, which has been made the first order of business when the Senate meets today, will be fought by Administration supporters headed by Majority Leader Barkley as "a shotgun behind the door," a weapon always at the disposal of the farm bloc whenever it finds itself displeased with Executive policy. Meanwhile, hearings on the Price Bill were postponed until tomorrow by a chagrined Senate Agriculture Committee yesterday when the first three witnesses, Food Administrator Davis, Price Administrator Brown, and Secretary Wickard, failed to appear because of a "comedy of errors."
2. Civilian Supply - NPB Chairman Nelson yesterday testified before the Senate Banking and Currency Committee against

the Maloney Bill to create an independent Office of Civilian Supply instead of the agency now under the WPB. While admitting that essential civilian goods were "just as necessary" as military supplies, Nelson claimed one agency should have control over both. He added that enactment of the bill would "merely add to the confusion" by super-imposing a new materials claimant agency to "cut across all others."

3. American History - The Senate heard with some amusement and alarm yesterday of the "pitiful ignorance" of the vital facts of United States History on the part of college freshmen as revealed in a survey made by the N.Y. Times. Senator Guffey introduced a resolution, which was referred to the Committee on Education and Labor, providing for the creation of a subcommittee to study methods by which the Federal Government could promote more adequate instruction of the subject.

NOT TO BE RE-TRANSMITTED

SECRET
1943 APR 8 AM 11 41
ASIA
TREASURY DEPARTMENT

COPY NO. 13

BRITISH MOST SECRET
T. T. SECRETOpial No. 114

Information received up to 7 a.m., 7th April, 1943.

1. GENERAL

The SUEZ CANAL was accidentally blocked from 4th to 6th due to the landing of a pontoon 6 miles north of SUEZ. Attacks by a pack of U-boats against a towward convoy south east of GREENLAND started on morning of 5th and aircraft from ICELAND (C) reported sighting 3 U-boats. During 5th/6th 16 unsuccessful attacks were made and several U-boats are considered damaged by the escorts. Aircraft made 5 attacks. At 7 p.m. 6th 55 ships were present, 3 had been sunk and there were 3 stragglers. A 7,000 ton merchant ship bound from CANADA for AFRICA and U.S.A., torpedoed south of WALFISCH BAY on 2nd. Ship is aground with wreck broken. 12 missing out of 315 on board.

2. MILITARY

TUNISIA. To 3 p.m. 6th. 8th Army. At 4.15 a.m. 6th, 13th Corps in complete darkness without moon and supported by 450 guns attacked the centre of the enemy position on the WADI AKARIF. The assault was completely successful, and most objectives were captured by 6:30 a.m. Enemy resistance on the organized position appears to have collapsed and at 11 a.m. move of 10th Corps started with 1st Zealand Division leading. Many prisoners have been taken and heavy fighting is continuing.

U.S. Sector. On 5th evening an enemy force including 75 tanks was seen moving westwards along the road south of MESSAL BERDA (feature about 10 miles southeast of EL GUETTAR). Infantry was seen debussing at a point 5 miles along this road from MIR OUA. An attack on 6th by U.S. forces south of the GAMBELBERDA road failed to make progress.

3. AIR OPERATIONS

RESISTANCE FRONT. 6th. Mosquitos and Typhoons attacked railway control station, an airfield at ST. OMER and a steel works at CASI.

6th/7th. Aircraft despatched - see mining 27 (2 missing); Intruders 3; anti-shipping 3.

TUNISIA. 4th/5th. Wellingtons and Blifaxes dropped 76 tons of bombs on SFAX. Other Wellingtons attacked the docks at EL PANI.

SICILIAN CHANNEL. On 5th 20 U.S. Lightnings intercepted about 90 enemy aircraft mainly JU 52's. 16, including 11 JU 52's, were destroyed and others damaged for the loss of 2 Lightnings. Deserted U.S. Mitchell attacked a convoy north of CAPE BON. 1 destroyer sunk, 3 ships left in flames and 2 barges damaged. Mitchell missing.

April 8, 1943
10:10 a.m.

"SECOND WAR LOAN" SPEECH

Present: Mr. Gaston
Mr. Lindow
Mr. Peabody
Mr. Schwarz
Mrs. Klotz

H.M.JR: I thought this: I will know by tomorrow noon when I see the President, when I get a clearance, but we did get this - OWI has cleared it. I wasn't satisfied and got a note from the War Department. "Here is a copy of the Secretary's speech which was sent to me. It has the enthusiastic approval of the War Department."

MR. PEABODY: Fine.

H.M.JR: So we cleared that. what I thought I would do is this. I thought that we could put this out over the Federal Reserve wires to the twelve Federal Reserve Banks, and ask them to see that it gets publicity in Tuesday morning's paper in their locality. You could even get it in their hands Saturday morning if you wanted to. It would go out of here Friday night and be in their hands Saturday because they would have to mail it out.

You see, the Federal Reserve has altogether a hundred and two or a hundred and four branches. what do you think of that?

MR. PEABODY: I think it is fine. I think also--

H.M.JR: On the wire to the twelve presidents - you have your publicity men there?

- 2 -

MR. PEABODY: I want those.

H.M.JR: That is why I got you in here.

MR. PEABODY: This is really our basic document, Mr. Secretary. This is the keynote of the whole thing.

H.M.JR: That is what I worked so hard on it for.

MR. PEABODY: Therefore it should not only go out on the wires. I was wondering if we here shouldn't send out multigraphed copies of it in quantities to the publicity men. Of course, they could do that - they could pick it up from the wires and do it themselves, and probably would on instruction.

MR. GASTON: If you got it out today we could probably get it everywhere by mail to the publicity men.

H.M.JR: No, I am seeing the President tomorrow morning and when I come back we will know yes or no. The worst thing in the world is to send it out and recall it.

MR. PEABODY: Furthermore, I would be a little bit afraid, with all of these publicity men, if this thing gets there. Even though you have a release date of Tuesday morning, somebody is apt to break over the traces and give out a part of it. So I wouldn't want it to get to the publicity men in that form before Monday, at the earliest. Would you, Chick?

H.M.JR: After what we have been going through - I think the Federal Reserve should be on the wire Sunday night. Somebody should come down here - not give it to them until Sunday night, and then ask them to put it on the wires Sunday night.

MR. SCHWARZ: In addition to that, if your Federal Reserve publicity men make too many copies, you are going to have too many errors along the line. We have one correct version.

MR. PEABODY: As far as the publicity directors - I am thinking now, not of local releases in the papers - they are regarding this as a basic document and using it as a basis for other things they will do. For that purpose they don't need to have it until Tuesday.

- 3 -

H.M.JR: No, but that--

MR. GASTON: I think they ought to have it on Monday because I think in many cases they can get the full text in a local paper, or substantial quotes, that the AP and UP will not carry.

MR. PEABODY: I didn't make myself clear. I think that ought to be done, but I am talking about, again, a mimeograph of this that they might send. The publicity men from here want the full speech which they can then use with their people.

H.M.JR: There isn't a Federal Reserve that doesn't have a mimeograph outfit.

MR. SCHWARTZ: They all have their own.

MR. PEABODY: That would be all right.

H.M.JR: You send them instructions.

What about these statistics? These are to go with it - the statistical background?

MR. PEABODY: I don't know about that, sir.

H.M.JR: Didn't you--

MR. GASTON: Lindow worked on that thing. He ought to get it out - we ought to get it out by tomorrow.

H.M.JR: Bell should be satisfied with - look, can I pin this on you - this whole business of handling this?

MR. PEABODY: Yes, sir.

H.M.JR: Will you take the responsibility?

MR. PEABODY: That is to see that it gets on the wire?

H.M.JR: Yes.

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MR. PEABODY: And again, this statistical background - I don't know the story of that.

H.M. JR: Do you know it?

MR. SCHWARTZ: No.

H.M. JR: Herbert, you go to your meeting, and when you come back have these two men come to you and explain it. Will you, when you come back? Let's place the responsibility for getting this out with Peabody.

MR. GASTON: Both of them?

H.M. JR: The whole business. I mean, this is the thing which should set the tone of the whole thing.

(Mr. Gaston left the conference.)

MR. SCHWARTZ: Fundamental subject matter.

MR. PEABODY: Incidentally, I haven't read it yet.

H.M. JR: Haven't you?

MR. PEABODY: No, sir. I don't suppose we have many copies.

H.M. JR: I tell you what I will do.

MRS. KLOTZ: Have it copied.

H.M. JR: At ten-thirty I will send my copy down to you and after - I will have the messenger wait there while you read it, and then he can bring it back. From now on I am not going to let any copies of my stuff go out. I mean, I am just going to - you know what I went through with all the press boys. You see, my statement I read Monday on the Hill, which wasn't for release, through some very mysterious way it appeared at eleven o'clock in the Washington News. I will send this down to you. You read it and the messenger will wait and it will come back.

- 5 -

(Mr. Lindow entered the conference.)

H.M.JR: Lindow, neither Peabody nor Schwarz seem to know anything about this statistical stuff which is to go back of this speech.

MR. LINDOW: I am working on that right now.

H.M.JR: Don't keep it a secret.

MR. PEABODY: Wasn't Ted handling this thing?

H.M.JR: No, not that I know of. Gamble hasn't, has he?

MR. LINDOW: No.

MR. PEABODY: The point I was going to make is there isn't any particular point why Lindow should have to come to me with this.

H.M.JR: Gaston--

MR. LINDOW: Gaston knows about it.

H.M.JR: When he comes back, Mr. Gaston will send for the three of you. Be sure Mr. Bell knows about it and is happy about this, because up to now he hasn't been.

The idea was, these men, Smith and Albee - it was their idea that if this could go out and get into the hands of the financial writers, and so forth, they would get the basic material which this speech is based on, or, in other words, Lindow's sales talk - the basic material. It was to go out and get in the hands of these men sufficiently in advance so that they could have it. I think what we ought to do is call all of this association - appointed Treasury men - the men the Press Association appointed to help us with the War Bonds, and I think in addition to sending it out there should be a press conference for them, at which Lindow should explain this stuff.

MR. PEABODY: I think that would be splendid. That will stimulate an awful lot of other stories.

H.M. JR: And they ought to have that. They ought to give that to them Friday afternoon. I will tell them so at my press conference.

MR. SCHWARZ: Fine, because all of them have assigned more than one man to work on it.

H.M. JR: I would give it to them Friday afternoon - the basic material.

MR. SCHWARZ: I want to send out the speech to editorial writers and the labor and farm press. There is a question about the weeklies.

H.M. JR: If you are going to do that, then you might just as well show them the whole thing Friday afternoon.

MR. SCHWARZ: They wouldn't get that in the mail until Monday.

H.M. JR: I mean you might as well give them my speech plus the basic material. I mean these men here - they don't want to be scooped. Talk it over. Talk it over with Gaston. The three of you see Gaston this morning and work the thing out.

What is Frank Tripp and his organization doing?

MR. PEABODY: They are working on more or less the business end of the thing, Mr. Secretary. In other words, currently their activity is getting their newspapers to get sponsored ads; also they are doing some work on stimulating features, and carrier-boy activity. That is, I think - we have to handle that - I don't think that Frank Tripp, frankly, is going to do very much effective work on the editorial straight news end of it.

MR. SCHWARZ: I don't see how he can, but he has gone around to see these people and stimulated them.

MR. PEABODY: And he has gotten their interest up through all sectors of the newspaper plant. I think he has done that, but we have to restimulate certain of those sectors ourselves.

H.M.JR: Well, he got these various press associations appointed.

MR. PEABODY: That is right, but they are right here. They are men who are working with Chick.

H.M.JR: I sent you a little note as to who - you will get it in time - I mean, those two paid ads. Yesterday I was curious about who wrote them and who sponsored them.

MR. PEABODY: Yes, in Washington?

H.M.JR: Yes, they are very good.

MR. PEABODY: We got a good picture this morning on the front page, didn't we, after the orgy over at the White House.

H.M.JR: O.K.

MR. PEABODY: Mr. Secretary, our date with Stouffer at three - in other words, do you expect to read that (indicating speech) this afternoon?

H.M.JR: Yes.

MR. PEABODY: I don't need that, because I will hear it this afternoon.

H.M.JR: No, no - I am going to work with him entirely alone.

MR. PEABODY: All right, that is fine.

H.M.JR: If I am going to go through with it, I am going to do it quite alone. He will be here at--

MR. PEABODY: He will be here at three o'clock.

H.M.JR: I am going to have him quite alone.

MR. LINDOW: Mr. Secretary, you spoke of sending copies of the speech up to Smith and Albee. I think we ought to do that today so they have it by tomorrow, don't you?

H.M.JR: Better wait now until the President sees it, because I wouldn't change it for anybody now anyway, except the President of the United States. I mean, I am not going to change it for anybody now.

April 8, 1943
10:21 a.m.

HMJr: Hello.

Operator: Mr. Cowles.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Gardner
Cowles: Good morning, Mr. Secretary.

HMJr: How are you?

C: Fine, sir.

HMJr: Say, here's another funny one. You've been sending over somebody the last time or two to my press conference, which is quite acceptable to me. In fact, I'm a little flattered. But our Treasury press boys don't like it. Some row that you've had about the food - but I personally don't see why any Government employee that wants to come shouldn't come to my press conference. Do you know anything about this?

C: (Laughs) No, I don't. I'll check into it.

HMJr: Because we're having one at 10:30. It has something to do about - have you people done anything about saying that they can't cover this - this food conference?

C: No, the President did that.

HMJr: Oh.

C: Elmer and Steve Early and Byron Price have been swinging him around to the other point of view, and they've got him about two-thirds swung around.

HMJr: I see.

C: So it's going to be opened - about to become quite an issue with the press, however.

HMJr: Well, I mean just because this fellow happens to be somebody that's not very important, I'm not going to let them pick on him.

C: Well, they just don't want him in the room, is that it?

HMJr: So I understand.

C: That seems a little silly to me.

HMJr: It seems silly to me, and I think it's - I was going to ask your advice, but I don't see why I should buckle under on a thing like that.

C: Hell, no!

HMJr: What?

C: I - I would say you could have anybody present that you wanted. Be entirely up to you, not to the press, as to who is present.

HMJr: Well, that's what it seems to me. But I wanted to talk to you about it.

C: It is not important to us though, one way or the other, so....

HMJr: No, I'm flattered that he comes. (Laughs)
It makes me feel very important.

C: (Laughs)

HMJr: I say it makes me feel very important.

C: Fine, fine.

HMJr: All right.

C: Thank you, Mr. Secretary.

HMJr: You're welcome.

April 8, 1943
10:58 a.m.

Operator: Go ahead.

HMJr: Peabody?

Stuart
Peabody: Yes, sir.

HMJr: How did you like the - the talk?

P: I think it was splendid.

HMJr: Do you....

P: I took the liberty of reading it to Mr. Gamble and Mr. Robbins and Mr. Buffington and Mr. Bell.

HMJr: Oh.

P: I was in a meeting here when it came in.

HMJr: Oh, I see.

P: And everybody here was tremendously enthusiastic about it. I think it's a - a marvelous job, Mr. Secretary.

HMJr: Well, I had mighty good help.

P: Well, it really is - for our purposes (Laughs) and, of course, I always think about our purposes....

HMJr: That's right.

P:of getting this money, it couldn't - it simply couldn't be better.

HMJr: Well, that's - that's what I wanted to know, and there's no reason for you to say it if you don't believe it.

P: I - I wouldn't. I wouldn't, and I believe it thoroughly. I think it's a magnificent job.

HMJr: Good. Now I'd like to make this suggestion - well, I - I like it. I think it's the best I've ever done.

P: Yes.

HMJr: I have in my hand here an ad, a full-page ad, in the Chicago Daily Tribune.

P: Yes, sir.

HMJr: "A Call to Every American."

P: Yes, I've seen it.

HMJr: Now I think it would be rather effective when we go up on The Hill -- whenever it is, Tuesday or Wednesday -- to explain this thing to the House, that if on some of these boards we could have some of this advertising and - say, pinned up on some boards and let....

P: Well....

HMJr:them look at it?

P:here's what we're doing on that. Ted Gamble has arranged so that on that day we are going to have an exhibit showing ads that appeared the day before.

HMJr: Wonderful.

P: In other words, this happened just yesterday....

HMJr: Yes.

P:you see? He - he's got that thing set up so I think it's going to be a very good show.

HMJr: Well, have you - you've seen this Daily Tribune ad.

P: Yes, sir, I have. It's a corker.

HMJr: Oh, I - now would you mind finding out who - who prepared that?

P: No, I'll be very glad to. It's the boy with the bugle, isn't it?

HMJr: That's the boy with the bugle.

- 3 -

P: Yeah.

HMJr: Right.

P: I think our people out there - I can find the -
you mean the agency?

HMJr: Yes.

P: Yeah.

HMJr: Yes.

P: Yeah, I'll do that, Mr. Secretary.

HMJr: Thank you.

P: Righto, sir.

April 8, 1943
11:43 a.m.

HMJr: Hello.

Operator: Mr. Welles will not be available for about five minutes.

HMJr: All right. Thank you.

Operator: They'll call you.

HMJr: Well, all right, thank you.

Operator: Right.

11:52 a.m.

Sumner Welles: Good morning, Henry.

HMJr: How are you, Sumner?

W: I'm fine, thanks.

HMJr: Sumner, the newspaper boys at my press conference told me that at 2:30 this afternoon Sir Federick Phillips is holding a press conference.

W: Oh, really?

HMJr: Now I have all week gotten the press to play down the fact that there's competition between these two plans.

W: Yes.

HMJr: And the American press has been awfully good about it.

W: Very.

HMJr: And I think that they've - if it weren't for these damn stories always coming out of London that it would be all right.

W: Yeah.

HMJr: And I was going to suggest to you, if you thought well of it, that you might call up Halifax and caution him on this thing.

W: He won't be back until Saturday, but I'll get hold of the - I'll get hold of Campbell.

HMJr: And - that's No. 1 - and I mean it's sort of unusual for Phillips to hold a press conference but....

W: Yes.

HMJr:that's that....

W: Yes.

HMJr:and the stuff - I don't know whether it was you that told me, this paper which did print the thing was the paper which was....

W: I told you....

HMJr: Oh, you did.

W: I told you, yes. →

HMJr: All right.

W: Yes.

HMJr: Then, the other thing, you know, after months -- we've circulated it around and Hull's signed it and the President and everybody -- that when the English balance has reached a certain level we'd begin to cut down on them, you see?

W: Yes.

HMJr: Well, Phillips has been doing regular lobbying all over Washington....

W: Hmm.

HMJr:against this....

W: Hmm.

HMJr:and I understand that Stettinius now is thinking of changing his mind. Well, we told

(cont.)

- 3 -

HMJr: him if he does, he'd better put it in writing.
(cont.)

W: Yeah.

HMJr: But it was Stettinius who raised the thing in the first place before he got his bill through.

W: Yes.

HMJr: Because he was so worried that if the British dollar balances were too high, he couldn't get his legislation through.

W: I remember very well.

HMJr: Well, if - if - it isn't just a - I don't think it's a day-to-day proposition, and I - I just don't like - I mean I try my damndest to all the time keep these little things from getting big, but I think what the British have done this last week - it - it strains one's sense of humor, if you can say that.

W: Well, that's putting it very mildly.

HMJr: I mean it isn't funny.

W: No, it's not.

HMJr: And....

W: It's not only not funny, but it's singularly shortsighted.

HMJr: Yes, and so - you know what - I mean Hull's signed it - you most likely - it passed over your desk too.

W: Yes, yes.

HMJr: Well, if it - just bear it in mind, and I thought some time you might say something to Halifax when you see him.

W: I will. I will.

HMJr: Yes.

W: I'll do both things, and I'll get hold of the - first point you mentioned immediately.

HMJr: Yeah, and the other one.

W: But I think that particular man is about the most difficult person to handle that I've come in contact with.

HMJr: Well, up to now, of course, he's always been very cooperative, and when I've met anybody who's over here, Cabinet people, they always says, "Well, how about Phillips?" and I always say, "He's fine."

W: Yes.

HMJr: And I think it's - I'm the only person who ever says he is fine.

W: (Laughs)

HMJr: And I think his whole tenure of office is based on the fact that he's supposed to get along with me....

W: (Laughs)

HMJr: ...which he has up till now.

W: Yes, well....

HMJr: But he's kind of pushing me around now.

W: Hmmm. Well, I mean - he better learn caution.

HMJr: Pardon?

W: He'd better learn caution.

HMJr: I think so.

W: Yeah. I'll take care of it at once.

HMJr: Thank you, Sumner.

W: Thanks, Henry. Goodbye.

284
April 8, 1943
12:06 p.m.

Sir Fred.
Phillips:

Is that Mr. Morgenthau?

HMJr:

Speaking.

P:

Oh, Phillips at this end.

HMJr:

Yes.

P:

Look here, Mr. Morgenthau, it does - it looks as though I can't escape seeing some of these press fellows....

HMJr:

Yes.

P:

....but I'll keep off any discussion of the - any comparison of the two plans.

HMJr:

Yes, I....

P:

I'll simply give them details - give them more details of ours if they want it.

HMJr:

Yes, I've tried terribly hard to stop this sort of a building up of competition between the two plans.

P:

Yes.

HMJr:

And our American press has been very good about it.

P:

Yes.

HMJr:

And I heard you were going to have a press conference, and I was a little worried about it.

P:

Well, I wasn't too certain, but the last news makes it clear we've got to - got to see them.

HMJr:

I see. And - well, as I say, so far I think the American press has treated it very well.

P:

Yes, there's some queer bits in it. That New York Mirror seems to have got a rather....

- 2 -

HMJr: I - I don't take the Mirror. I don't - I don't....

P: (Laughs)

HMJr: Well, what do they say?

P: Oh, a general interference with national sovereignty and so on.

HMJr: Oh. Well, that's Hearst, you know.

P: Yeah.

HMJr: That's - that's Hearst's paper. I - I - that's one of those papers that don't come to my desk.

P: Yes.

HMJr: Okay.

P: Righto. Thank you.

TO:

Mr. White

296 ✓

This is from Office
of Censorship.

4/8/43

From: Lieut. Stephens

CONFIDENTIAL

297
CONFIDENTIAL NOTICE—The attached information was taken from private communications, and its extremely confidential character must be preserved. Information must be confined only to those officials whose knowledge of it is necessary to prosecution of the war. In no case should it be divulged or copies made, or the information used in legal proceedings or in any other public way without express consent of the BYRON PRICE, Director.

GOODMAN
G118 TWF LONDON BGOVT 6 515P

IMMEDIATE PRODROME WASHINGTONDC

26006 FOLLOWING FROM TREASURY FOR PHILLIPS MY IMMEDIATELY PRECEDING TELEGRAM THE FOLLOWING NOTES ARE FOR THE GUIDANCE OF THE PRESS ONLY THEY MUST NOT BE QUOTED AS OFFICIAL

INTERNATIONAL CLEARING UNION

THE FOLLOWING NOTES INDICATE THE CHIEF PURPOSES OF THE SCHEME:

FOR AN INTERNATIONAL CLEARING UNION WHICH HAS BEEN PUT FORWARD BY DIRECTION OF HIS MAJESTYS GOVERNMENT FOR DISCUSSION BY THE UNITED NATIONS AND SOME OF ITS ADVANTAGES AS SEEN BY THE EXPERTS BY WHOM THE SCHEME WAS DRAWN THE CHIEF PURPOSES MAY BE SET OUT AS FOLLOWS (1) TO PROVIDE A GENERALLY ACCEPTABLE MEANS OF PAYMENT BETWEEN NATIONS (2) TO ENSURE THAT ANY ALTERATIONS WHICH TAKE PLACE IN THE EXCHANGE VALUES OF NATIONAL CURRENCIES ARE MADE AS THE RESULT OF AN ORDERLY INTERNATIONAL PROCEDURE AND NOT BY UNILATERAL ACTION (3) TO RELIEVE FROM EXCESSIVE STRAIN ANY NATION WHICH IS SUFFERING FROM TEMPORARY DIFFICULTY IN MEETING ITS

(CONTINUED)

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IMMEDIATE PRODROME WASHINGTONDC

OBLIGATIONS TO MAKE PAYMENTS ABROAD WHILE AT THE SAME TIME SUBJECTING IT TO A GRADUAL PRESSURE TOWARDS RESTORING A POSITION OF BALANCE ALL THESE PURPOSES ARE OF COURSE SUBSIDIARY TO ONE MAIN PURPOSE THE PROMOTION OF A STEADY EXPANSION IN THE FLOW OF INTERNATIONAL TRADE AND SO OF AN IMPROVEMENT IN THE STANDARD OF LIFE OF THE PARTICIPATING COUNTRIES THE PREFACE TO THE SCHEME NOW PUBLISHED IN THE WHITE PAPER EMPHASISES THAT THE PLAN MUST OPERATE NOT ONLY TO THE GENERAL ADVANTAGE BUT ALSO TO THE INDIVIDUAL ADVANTAGE ON EACH OF THE PARTICIPANTS AND MUST NOT REQUIRE A SPECIAL ECONOMIC OR FINANCIAL SACRIFICE FROM CERTAIN COUNTRIES IT IS NOT THE PURPOSE OF THE CLEARING UNION TO TAKE OVER EITHER THE TASK OF FINANCING RELIEF AND RECONSTRUCTION AFTER THE WAR OR THE LONGER TERM PROBLEM OF FINDING MEANS FOR DRAWING OFF THE PERMANENT SURPLUSES OF CREDITOR COUNTRIES TO PROVIDE RESOURCES FOR RAISING THE STANDARDS OF UNDEVELOPED AREAS THESE

(CONTINUED)

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IMMEDIATE PRODROME WASHINGTON DC

ARE THE TASKS OF OTHER BODIES IN A SENSE THE INTENTION OF THE CLEARING UNION IS REMEDIAL RATHER THAN POSITIVE TO AVOID DEFECTS AND FREQUENT BREAK-DOWNS OF THE PREWAR MONETARY ARRANGEMENTS FOR FINANCIAL INTERNATIONAL TRADE IT IS IN EFFECT AN ATTEMPT TO APPLY THE BANKING PRINCIPLE LONG FAMILIAR IN THE DOMESTIC FIELD TO THE INTERNATIONAL FIELD BEFORE THE 18TH CENTURY PAYMENTS BETWEEN INDIVIDUALS AS WELL AS BETWEEN COUNTRIES WERE CHIEFLY MADE BY MEANS OF GOLD AND SILVER WHEN A CREDITOR WAS PAID THE CURRENCY THE RECEIVED DISAPPEARED FROM CIRCULATION UNTIL THE TIME CAME WHEN HE HIMSELF CHOSE TO RESPEND IT THIS TENDENCY TOWARDS THE WITHDRAWAL OF THE AVAILABLE MONEY FROM USE HAD PROVED THROUGHOUT THE RECORDS OF CIVILISATION A GREAT CAUSE OF HINDRANCE TO THE GROWTH OF TRADE AND ENTERPRISE IT WAS THE GRADUAL EVOLUTION OF THE BANKING PRINCIPLE WHICH MITIGATED IN THE COURSE OF THE NEXT TWO CENTURIES THIS RETARDING FORCE FOR WHEN PAYMENTS ARE MADE BY THE TRANSFER OF BANK DEPOSITS THAT IS TO SAY BY BOOK ENTRIES IN

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IMMEDIATE PRODROME WASHINGTON DC

THE RECORDS OF THE BANKING SYSTEM THERE NEED BE NO WITHDRAWAL OF LOANS FROM ANY DEBTOR INASMUCH AS THE OUTSTANDING BANK ADVANCES REMAIN BALANCED THROUGHOUT WITH THE DEPOSITS THE SURPLUSES OF THOSE WHOSE SALES FOR THE TIME BEING EXCEED THEIR PURCHASES CONTINUE TO BE AVAILABLE TO FINANCE THOSE WHOSE PURCHASES FOR THE TIME BEING EXCEED THEIR SALES FURTHER THE TOTAL VOLUME OF BANK ADVANCES AND BANK DEPOSITS CAN BE EXPANDED IN HARMONY TO MATCH THE SECULAR GROWTH IN POPULATION AND TRADE BOTH THESE ADVANTAGES NEEDED THE DEVELOPMENT OF CENTRAL BANKING TO BRING THEM TO FULL FRUITION AND THE TECHNIQUE OF MAINTAINING A STEADY VOLUME OF PURCHASING POWER IN CIRCULATION IS NOT EVEN YET COMPLETE BUT IN THE INTERNAL ECONOMY OF COUNTRIES THE SIGNIFICANCE AND ESSENTIAL VALUE OF THE BANKING PRINCIPLE ARE NOW RECOGNISED BEYOND ANY QUESTION INTERNATIONALLY HOWEVER APART FROM A FEW TENTATIVE EXPERIMENTS AND SPECIAL RELATIONSHIPS THE WORLD HAS STILL CONTINUED IN THE MAIN WITH THE PRACTICES WHICH NATIONALLY

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IMMEDIATE PRODROME WASHINGTON DC

WE AND OTHERS BEGAN TO GIVE UP AT THE END OF THE 17TH CENTURY SETTLEMENTS BETWEEN COUNTRIES WERE STILL BEING MADE BEFORE THIS WAR IN TERMS OF THE PRECIOUS METALS WHICH ONCE THEY HAD BEEN RECEIVED WERE ENTIRELY WITHDRAWN AS A MEANS OF CARRYING ON INTERNATIONAL TRADE UNLESS AND UNTIL THEY WERE SUBSEQUENTLY RELEASED TO MEET A DEBIT PAYMENT THE APPLICATION OF THE BANKING PRINCIPLE BY THE PROPOSED INTERNATIONAL INSTITUTION ALLOWS IT TO OPERATE WITHOUT ANY FINANCIAL CONTRIBUTION FROM THE PARTICIPANTS A PRIVATE CITIZEN WHO HAS A BANK DEPOSIT DOES NOT REGARD HIMSELF AS SUBSCRIBING TO A FUND FROM WHICH SOME OTHER INDIVIDUAL WHO HAPPENS TO BE BORROWING FROM THE SAME BANK CAN DRAW IF HE HOLDS HIS MONEY UNSPENT THIS IS A VOLUNTARY ACT ON HIS PART DONE TO SUIT HIMSELF HE CAN SPEND HIS BALANCE AS SOON AS HE WISHES TO DO SO IN THE SAME WAY A MEMBER OF THE CLEARING UNION

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IMMEDIATE PRODROME WASHINGTONDC

IS NOT ASKED TO HOLD A CREDIT BALANCE IN THE BOOKS OF THE UNION IF THERE IS ANY PURCHASE OR INVESTMENT IT WISHES TO MAKE NOR DOES IT SUFFER ANY LIMITATION OF ITS POWER TO SPEND THE MONEY SUBSEQUENTLY THE CLEARING UNION AS PRESENTED HERE REQUIRES NO CONTRIBUTION FROM THE BUDGET OR FROM THE TAXPAYERS OF ANY COUNTRY AN INSTITUTION WHICH IS ONLY REQUIRED TO MAKE TRANSFERS WITHIN ITS OWN BOOKS FROM ONE ACCOUNT TO ANOTHER NEEDS NO SUBSCRIBED CAPITAL FOR ITS ASSETS WILL ALWAYS BE EQUAL TO ITS LIABILITIES WITHOUT THIS ADDED SUPPORT THERE ARE HOWEVER IMPORTANT RESPECTS IN WHICH THE ANALOGY WITH A DOMESTIC BANKING SYSTEM BREAKS DOWN THE MEMBERS ARE SOVEREIGN STATES AND ARE AT THE SAME TIME BOTH THE GOVERNORS OF THE INSTITUTION AND POTENTIAL BORROWERS FROM IT BESIDES WHICH THERE WILL BE A WANT OF BALANCE UNLESS DEPOSITORS AS WELL AS BORROWERS ARE DISCOURAGED FROM BUILDING UP A LARGE POSITION FOR EXCESSIVE CREDIT BALANCES NECESSARILY COEXIST WITH EXCESSIVE DEBIT BALANCES OF SOME OTHER PARTY THE PROBLEMS OF MANAGEMENT AND

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GOODMAN

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IMMEDIATE PRODROME WASHINGTONDC

OF DISCIPLINE WHICH ARRIVE IN THIS WAY ARE THE MOST DIFFICULT TO SOLVE SATISFACTORILY IN THE PRESENT TENTATIVE SCHEME IT IS PROPOSED THAT WHEN A CERTAIN STAGE OF INDEBTEDNESS HAS BEEN REACHED A COUNTRY WILL BE ENTITLED TO EASE ITS OWN POSITION BY A MODERATE ADJUSTMENT IN ITS RATE OF EXCHANGE WHEN A FURTHER STAGE HAS BEEN REACHED IT WILL BE OBLIGED TO TAKE FURTHER REMEDIAL MEASURES IF REQUIRED TO DO SO BY THE GOVERNING BOARD OF THE UNION THE WIND IS TEMPERED TO SHORN LAMBS BUT THEY ARE NOT EXEMPTED FROM THE OBLIGATION TO GROW NEW WOOL AND THERE ARE PROVISIONS FOR EXTRUDING THEM IN EXTREME CASES FROM THE FOLD SO LONG AS SOME COUNTRIES ARE EXERCISING THEIR BORROWING RIGHTS IT IS INEVITABLE SINCE THE UNIONS BALANCE SHEET MUST BALANCE THAT OTHERS SHOULD BE ACQUIRING CREDIT BALANCES AND THE SMOOTH WORKING OF THE PLAN REQUIRES THAT THEY SHOULD BE WILLING TO DO SO AT THE SAME TIME THE PLAN RECOGNISES THAT THE HOLDING OF A LARGE BANCOR BALANCE WHILE BETTER THAN PULLING IN GOLD IS NOT AN IDEAL WAY OF CONTRIBUTING

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0118 TWF LONDON BGOVT 6 515P

IMMEDIATE PRODROME WASHINGTONDC

TO INTERNATIONAL STABILITY ANY COUNTRY WHICH OWNS SUCH A BALANCE CAN ALWAYS REDUCE IT (THUS ENABLING OTHER COUNTRIES TO REDUCE THEIR OVERDRAFTS) EITHER BY SPENDING MORE ABROAD OR BY LENDING MORE ABROAD AND THERE IS A PROVISION OBLIGING IT IN CERTAIN CIRCUMSTANCES TO EXAMINE VERY SERIOUSLY THE POSSIBILITIES OF DOING SO IN THE MANAGEMENT OF THE PLAN SPECIAL CARE HAS BEEN TAKEN TO SAFEGUARD THE INTERESTS OF SMALLER POWERS AND TO PROVIDE A DEMOCRATIC VOTING SYSTEM WHICH DOES NOT ALLOW PREPONDERANT POWER TO ANY COUNTRY OR GROUP IN DETERMINING THE QUOTAS OF INDIVIDUAL STATES AND HENCE THEIR SHARE BOTH IN THE GOVERNMENT OF THE UNION AND IN ITS BORROWING FACILITIES THE VOLUME OF THEIR INTERNATIONAL TRADE WILL IN MOST CASES BE THE PREPONDERANT CONSIDERATION THOUGH THIS PRINCIPLE WILL BE SUBJECT TO EXCEPTION THE GOVERNING BOARD WILL REPORT TO AN ANNUAL ASSEMBLY ATTENDED BY REPRESENTATIVES OF ALL PARTICIPATING STATES ON NEITHER BODY WILL UNANIMITY BE REQUIRED FOR ARRIVING AT AN EFFECTIVE DECISION IF THERE WILL

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IMMEDIATE PRODROME WASHINGTONDC

BE NO QUESTION ON WHICH A SINGLE STATE CAN EXERCISE A VETO UPON THE WILL OF THE MAJORITY THE QUOTE CLEARING BUSINESS UNQUOTE OF THE UNION IS CONDUCTED IN TERMS OF QUOTE BANCOR UNQUOTE THIS IS AN INTERNATIONAL CURRENCY ONLY IN THE SENSE THAT IT IS A UNIT OF MEASUREMENT FOR EXCHANGE VALUES AND A UNIT OF ACCOUNTING IN THE BOOKS OF THE UNION THE MAN IN THE STREET WILL REMAIN QUITE UNAWARE OF THE EXISTENCE OF THE NEW INSTITUTION SO FAR AS HIS DAILY BUSINESS IS CONCERNED IT IS LIMITED TO PROVIDING A MEANS OF SETTLEMENT BETWEEN CENTRAL BANKS MEMBER STATES WILL ONLY EXERCISE SUCH EXCHANGE CONTROLS AS THEY MAY DECIDE TO IMPOSE FOR THEIR OWN PURPOSES THE PRIVATE BANKER OR TRADER WILL CONTINUE TO DO HIS FOREIGN BUSINESS IN TERMS OF POUNDS OR FRANCS OR DOLLARS BUT THE FACT THAT HIS GOVERNMENT CAN BORROW BANCOR FROM THE UNION WILL ENABLE IT TO PROVIDE HIM WITH FOREIGN EXCHANGE AT A STABLE PRICE WHEN OTHERWISE IT WOULD HAVE BEEN UNABLE TO DO SO THUS ALL EXCHANGE FLUCTUATIONS DUE TO SPECULATION WILL BE GOT RID OF ONE OF THE

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IMMEDIATE PRODROME WASHINGTONDC

THINGS THAT MAY BE REQUIRED OF A COUNTRY WHICH IS DRAWING ON ITS QUOTA TOO FAST IS THAT IT SHOULD INTRODUCE IF IT HAS NOT ALREADY DONE SO CONTROL OF THE OUTWARD MOVEMENT OF CAPITAL THERE IS LITTLE DOUBT THAT A COUNTRY WHICH EXPECTS TO HAVE TO MAKE USE OF THE BORROWING FACILITIES OF THE PLAN WOULD BE WISE TO INSTITUTE SUCH CONTROL FROM THE START NOT NECESSARILY WITH A VIEW TO PROHIBITING ALL FORMS OF FOREIGN INVESTMENT (STILL LESS OF DEBT REPAYMENT) BUT IN ORDER TO PREVENT THOSE DISORDERLY FLIGHTS OF PRIVATE FUNDS MOTIVATED BY GREED OR FEAR WHICH GAVE SO MUCH TROUBLE IN THE DECADE BEFORE THE WAR THE PLAN PROVIDES THAT THE UNIT OF BANCOR SHALL BE DEFINED INITIALLY IN TERMS OF A GIVEN WEIGHT OF GOLD BUT THAT THIS WEIGHT SHALL BE ALTERABLE IF NECESSARY IN THE LIGHT OF EVENTS IT GIVES TO EVERY COUNTRY THE RIGHT TO OBTAIN BANCOR FROM THE UNION IN EXCHANGE FOR GOLD BUT NOT THE RIGHT TO OBTAIN GOLD IN EXCHANGE FOR BANCOR EVERY COUNTRY WILL BE UNDER OBLIGATION NOT TO ATTEMPT TO ACCUMULATE GOLD BY PAYING MORE FOR IT THAN ITS AGREED PRICE IN TERMS OF THE NATIONAL CURRENCY BUT WILL OTHERWISE BE FREE TO MAKE

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G118 TWF LONDON BGOVT 6 515P

IMMEDIATE PRODROME WASHINGTONDC

AS MUCH AS OR AS LITTLE USE OF GOLD AS IT THINKS FIT BOTH IN ITS DOMESTIC AND IN ITS INTERNATIONAL DEALINGS THUS THE PLAN RECOGNISES CERTAIN FACTS THE HIGH PRESTIGE VALUE STILL ENJOYED BY GOLD AND ITS CONVENIENCE FOR CERTAIN PURPOSES BUT IT DOES NOT PUT THE FATE OF THE INTERNATIONAL MONEY AT THE MERCY OF THE VICISSITUDES OF THE WORLDS GOLD SUPPLY NOR GIVE ANY COUNTENANCE TO THE IDEA THAT THE VALUE OF THAT MONEY IS DERIVED FROM THE POSSESSION OF A QUOTE GOLD BACKING UNQUOTE A NEW AND AMBITIOUS PROJECT OF THIS KIND CANNOT BE ADOPTED UNLESS AFTER FULL PUBLIC DISCUSSION IT COMMENDS ITSELF TO THE INSTRUCTED OPINION OF THE WORLD IT IS FOR THIS REASON THAT EARLY PUBLICATION HAS SEEMED ADVISABLE BEFORE ANY GOVERNMENT HAS BECOME COMMITTED TO A SPECIFIC PLAN THE PRESENT PROPOSALS ARE NOT PUT FORWARD DOGMATICALLY OR IN COMPETITION WITH ANY OTHER PROPOSAL THEY ARE INTENDED ONLY AS A CONTRIBUTION TO A HIGH DEBATE WHICH IN SPITE OF ITS TECHNICAL CHARACTER IS CAPABLE OF CONTRIBUTING GREATLY TO THE AMITY AND PROSPERITY OF NATIONS THEY WILL DOUBTLESS BE MODIFIED

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(CONTINUED)

BRAUN

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IMMEDIATE PRODROME WASHINGTONDC

OR AN ALTERNATIVE SCHEME IN A DIFFERENT DRESS WILL BE SUBSTITUTED FOR THEM
THE CHIEF OBJECT SHOULD BE THAT SOME SUFFICIENT AND COMPREHENSIVE PLAN
SHALL BE ADOPTED IT WILL PROBABLY BE FOUND THAT THERE IS A STRONG FAMILY
RESEMBLANCE BETWEEN ALL PLANS HAVING THE SAME MAIN PURPOSES IN VIEW

PRODROME

April 8, 1943
2:06 p.m.

HMJr: Hello.

James V.
Forrestal: Yeah.

HMJr: Jim?

F: Yes, Henry.

HMJr: Henry talking. We send people around to the various industries to check up on how we're doing on War Bonds. Hello?

F: Yeah.

HMJr: And we just had a man over in Baltimore at Glenn Martin talking to the people, and the situation over there -- this -- you may know all about this -- is there's great unrest and dissatisfaction amongst the employees, with one -- the result that we have about the poorest showing of War Bonds anywhere....

F: Uh huh.

HMJr:and one of the things which are bothering them is that they say that -- this -- I'm just reporting -- that there are several hundred, I gather, Navy planes over there which have been around for about six months, and the men and women can't understand why these planes stay there and aren't out to use.

F: Yeah.

HMJr: I wondered if you knew that.

F: Well, I didn't know -- I didn't -- I don't know the number. I know there have been a good many because we've been -- we've had a lot of trouble with them....

HMJr: Yeah.

F:fairly continuously.

HMJr: Yeah.

F: It's a.....

HMJr: Would you....

F: He, as you know, is an...

HMJr: Yeah.

F:egomaniac, and....

HMJr: Yes. I spoke to Bob Lovett about it and asked him whether he couldn't give me a report, and he said it was both Army and Navy, and he said he would ask their inspectors - hello?

F: Yeah.

HMJr: Would you care to let me know....

F: Sure.

HMJr:just how many planes - Navy planes there are....

F: Sure.

HMJr:and - I mean is it true they've been there for six months and so forth and so on?

F: Yeah, we'll have a report on it, Henry.

HMJr: Would you care to read the report on the bonds or not?

F: Yeah.

HMJr: Because it gives the employee attitude.

F: Yeah, because I think it's very well - worth-while having.

HMJr: I'll send it over to you.

F: All right. Thank you, Henry.

HMJr: Thank you.

April 8, 1943

Dear Jim:

I am enclosing herewith Emerson Waldman's ^{see} (4-5-43) report which I mentioned to you on the telephone.

Sincerely yours,

(Signed) Henry

Mr. James V. Forrestal,
Under Secretary of the Navy,
Washington, D.C.

Sent by Mess. Harmon 5:37
4/8/43
(Envelope marked "confidential")
File in Diary

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 8,
1943

TO Mrs. Klotz
FROM Secretary Morgenthau

Remind me that I want to send Forrestal a copy of
Wharson Waldman's report and also telephone him what's
going on over at Glenn Martin, because I don't want him
to think that I'm having the Army check up on the Navy.

THE UNDER SECRETARY OF THE NAVY
WASHINGTON

8 April 1943

Dear Henry:

I have looked into the matter of the Navy planes at the Martin Plant in Baltimore and I find that we have 68 PEM-3's which are undergoing a necessary modification. By the end of the month this number will be reduced to 30.

The circumstance surrounding this situation is that the plane was originally designed for a load of approximately 45,000 pounds. In the light of battle experience, certain changes such as leak-proof tanks, armor, etc., increased the load to around 55,000 pounds. With this load the engines heated and it has been necessary for the planes to be so modified as to get the proper cooling for the engines.

We have the matter under close observation and I feel that although it is unfortunate at present, it will rapidly clear itself as soon as modifications can be made in these planes.

Sincerely,

Forrestal
James Forrestal

Honorable Henry Morgenthau, Jr.
The Secretary of the Treasury

April 8, 1943
2:20 p.m.

Operator: Go ahead.

HMJr: Hello.

Gordon Rentschler: Hello, Henry. How are you?

HMJr: I'm fine. How are you?

R: Oh, I'm just getting cleaned up from a lot of bronchial pneumonia....

HMJr: Oh.

R: :...I had about six weeks ago, but otherwise I'm fine.

HMJr: Why didn't you go down to Cuba and get rid of it?

R: Oh, I'd love to, but I haven't dared get away, Henry. There's been too much going on.

HMJr: The reason I'm calling you is I wanted to tell you personally how nice Mr. Pulford has been to - to my son, Bob.

R: Well, he's enjoyed having Bob with him.

HMJr: And Bob has been sick and he had him at his house for five days, and....

R: I knew that Bob had had an operation, didn't he?

HMJr: Well, it wasn't really an operation, but....

R: Just a clean-up?

HMJr: He had a - no, he had some kidney stones.

R: Oh.

HMJr: And he'd been in a hospital; it was very crowded; and then Pulford took him in, and I write Pulford each time but I thought I'd like to let his boss know that I appreciate it.

R: Well, that's very nice of you, Henry, but I've had a number of letters from Pulford, and he and his wife have enjoyed ever so much having these boys in and out.

HMJr: Well....

R: And I think the boys have rather liked to have a place that was a little bit different and more like home.

HMJr: Well, I know that (laughs) as Bob said that - just having some home cooking....

R: Yeah.

HMJr:and - and - well, anyway, so if you - you know that we - we appreciate very much what he's done.

R: Well, I'm delighted, Henry. And - only thing just remember, whenever he writes about it, you tell him that whenever he gets to any of the places where our boys are, they'll all be expecting him.

HMJr: Good.

R: Because they'd love to have him come.

HMJr: Well, I don't think he gets to very many places.

R: Yeah, he don't get to many, but every now and then they turn up.

HMJr: Right.

R: How have you been, Henry?

HMJr: I'm all right.

R: The last I heard of you in Cuba they told me that you didn't look so husky.

HMJr: Well, I - I didn't, but I'm - I'm, I think, as good as I ever was, whatever that means.

R: No, I think that's all right then, if that's - if you say you're as good as ever, why, I'll give you 100%.

HMJr: The - your local manager there of the bank came around to see me.

R: Yes, the little Cuban.

HMJr: Yeah, from Cardenas - from the Cardenas branch.

R: Yes.

HMJr: And I went in and had my picture taken in - in your bank there.

R: Oh, my goodness! Then they'll have you up on the wall with the rest of the rogues.

HMJr: (Laughs) On the wall rather than on the limb.

R: Yeah. (Laughs) Yeah, well, they'll - they love the picture game.

HMJr: And then we went through that distillery which I understand is one of your best clients.

R: Yes, they've been a very - that's been a very constructive job.

HMJr: And so he was - he was very nice, and I enjoyed going over there.

R: The only thing I regretted was that you didn't take time to go over to Mary's place or on down to the - some of our other sugar properties.

HMJr: Well, I was there just to rest, and....

R: They said you needed to rest, and that's the reason we didn't press it. But the next time - if you ever go down there again, that's the thing to do.

HMJr: Thank you.

R: All right, Henry. Well, it was nice to talk to you and good luck to you.

HMJr: Thank you.

R: Right.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 8, 1943

TO Secretary Morgenthau
FROM Mr. Peabody *SP.*

Attached is the background letter to the newspapers
accompanying your speech.

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MEMORANDUM TO EDITORS,
PUBLISHERS AND COMMENTATORS
FROM HENRY MORGENTHAU, JR.,
SECRETARY OF THE TREASURY

On April 12th, at Carnegie Hall in New York City, I shall officially launch our Second War Loan drive.

I am taking this opportunity to give you some background. We are very anxious that you, and through you the American people, should understand the problems of war finance, and why it is that we want them to help finance the war.

There is no mystery about war finance. There are many problems, however, and it is difficult to explain some of them to the people.

We need your help

I feel strongly that we are going to have to find new ways of explaining the situation to the American people: and I hope that you who are closest to the people, and who spend your life explaining things to them, will turn your hand to seeing that this job is done.

The job ahead

During the calendar year 1943, the Treasury is going to spend about 100 billion dollars. Present taxes will cover about 30 billion dollars of this, leaving about 70 billion dollars to be raised.

People ask, "Where will the money come from? Where will we find the money to pay for such a costly war?" The answer is simple. We will have the income. When we produce munitions or peacetime goods or anything else, we likewise produce income. For every dollar of production, there is a dollar of income. This income may find its way into the hands of individuals, into corporation profits or reserves, or it may be turned over to the Government as taxes. The important thing to remember is that somebody gets a dollar of income for every dollar of goods produced. This point ought to be put across to the American people -- every dollar that is spent on war equipment finds its way to American business and the American worker.

The problems of war finance arise mainly with respect to the whereabouts of this income. If individuals and businesses receive more income after taxes than there are things produced for them to buy, then excess funds arise. At the same time, the Government will necessarily be receiving less in taxes than it is spending. It boils down to the fact that the Government deficit is matched by the combined surplus of everybody else.

How should we raise the \$70 billions?

There are several ways to get the money we need. We can raise it through taxes. We can borrow it from the banks. And we can borrow it from the people.

Limitations of taxes

We are now getting more money through taxes than ever before - and it will be necessary, I have no doubt, to ask for still more. But we

cannot rely on taxes to do the whole job, and I would not want to - because we could not tax with fairness on so huge a scale. For example, we all know of family groups where there are extra workers profitably employed at this time; and certainly it is not fair to base a tax upon what these people are able to pay and force into near bankruptcy the average many workers whose income has increased little if at all.

Bond sales are mounting

We could borrow all the money from the banks. Our credit is excellent. But for a variety of reasons, economic and social, this is also undesirable. One reason is that we would then sacrifice what we believe to be our greatest dam against inflation. Another is that this is a peoples' war, and the people should finance it. Our experience in the past has proved that the people want to finance it. The sales of savings bonds have mounted consistently since Pearl Harbor.

The redemption of bonds, about which there have been many rumors, has been relatively small. In March, because taxes had to be paid, redemptions were at a peak of \$131 millions; but during this same month the sale of 954 million dollars in savings bonds established a record which has been surpassed in only three months since Pearl Harbor.

I am very anxious that the American people be given credit for their truly excellent participation to date, and that we attack this new campaign with the idea that the people will not let us down if we deal with them honestly and frankly — if we tell them why we need the money, how much we need, and where we must get it.

Borrowing Plans for 1943

Your Treasury Department has the financing for the calendar year 1943 well organized. We know where the money is going to be; we know how much we need to borrow from civilians and how much from bankers. With the greatest invasion in history just around the corner--our invasion of enemy-held territory--we feel confident that the American people will live up to our expectations.

Last December we conducted the first war loan drive. Our goal was \$9 billions. We surpassed it by about \$4 billions. More than half of the total funds came from non-banking sources.

This year we are planning to conduct a series of drives--beginning with the Second War Loan which opens on April 12th. This drive is for \$13 billions, with at least \$8 billions from non-banking sources. Later drives will probably be for higher aggregate amounts with even larger proportions from non-banking investors. We also expect to increase the participation in the payroll savings plan during the year and raise the average investment under that plan. This work will go on independently of the periodic drives.

A tentative program

Let me tell you something about the tentative program we have set down for ourselves for the year.

The details are of course subject to change from time to time. My purpose here is to illustrate how we are planning for the year. First of all let's divide the \$70 billions which we must raise during the year

into three financing periods of four months each. The job for the first period comes to about \$20 billions; for the second period to about \$25 billions, and for the third period, assuming no new taxes, to another \$25 billions. Sales of the continuing types of securities such as savings bonds and tax notes will, of course, go on month by month throughout the year. In addition, our present plans call for a drive during the last month in each period to make up the remainder of the funds which will be required.

Analysis of savings and accumulations

If our deficit is going to run to \$20 odd billions in each financing period this year, then current savings and accumulations by individuals and businesses will also run to about this same magnitude. This follows from the fact that the Federal deficit is matched by the combined surplus of everyone else. For each period, we have analyzed these current savings and accumulations and classified the funds by investor groups.

Personal savings

In the case of personal savings, we know that people will put a certain amount into life insurance, into savings bank deposits and into the payment of debts. We can also estimate the amount of personal savings which will be left in the hands of individuals and which may be said to be available for investment in Federal securities. Of this reservoir available for Federal securities in the last six months of 1942, we found that 47 percent was actually so invested. (The remainder went largely into currency and commercial bank deposits.) As a tentative program

for this year, we have set our sights so that this percentage would be successively increased in each of the three financing periods to 55, 65, and finally to 75 percent in the last four months of this year.

Corporate accumulations

For corporations other than banks and insurance companies, we made a similar analysis. In the last six months of 1942, 72 percent of the newly available accumulations of these corporations was invested in Government securities. For this year, we assumed that this percentage could be increased in each of the financing periods to 75, 80, and finally to 85 percent in the last four months.

Insurance companies and mutual savings banks

We also estimated the amount of securities which might be absorbed by insurance companies and mutual savings banks as a result of the new funds flowing to them, and other funds which would probably be released for new investment during the year.

Governmental investment accounts

Similar estimates were made as to the amount of savings going to governmental investment accounts -- Federal, State, and local -- and of the amounts of securities which might be absorbed by them.

Summary

Adding together the scheduled sales to each of these non-banking investor groups provides us with a total for each of the three financing periods of the year. The remainder of our requirements we will have to fill by going to the commercial banks.

The tentative schedule for the year calls for total borrowing of \$48 billions from non-banking sources, and \$22 billions from banking sources. Borrowing from banks for the year would be held to approximately the same figure as in 1942, although the amount of total Federal borrowing required will be much higher. This means that the tentative program would call for financing the entire increase in the deficit this year over last year from non-banking sources.

Getting \$25 billions from the people

In order to sell \$48 billions of securities outside of the banks this year, the tentative schedule calls for selling \$25 billions to individuals. If we expect to do this, it will be necessary to adopt a widespread campaign to reach all income groups. Our own economists and consulting economists point out that the bulk of the money which we must get in 1943 must come from those people earning from \$1,000 to \$5,000 net. They will have three quarters of the current incomes after taxes; and we must urge these people to do much better than the 10 percent we have asked them for up until now.

IT IS OBVIOUS THAT EVERY PERSON RECEIVING INCOME ABOVE THE BAREST SUBSISTENCE LEVEL WILL HAVE TO BE REACHED IN OUR CAMPAIGNS IF WE ARE TO SUCCEED IN OUR GOAL OF RAISING \$25 BILLIONS FROM THE SALE OF SECURITIES TO INDIVIDUALS THIS YEAR.

Inflation

I am not sure that the American people really understand the relationship of war bonds to inflation. Certainly it is not enough simply to tell them that they have a great amount of excess cash which must be siphoned off if prices are not to be bid up out of sight, when as a matter of fact the average person never thinks of himself as holding "excess" cash. Moreover, he -- personally -- never actually "bid" against anybody for a porterhouse steak in his life. But when you take all of these average Americans as a group, it is a different story.

It is very important that the total excess money should be saved rather than used collectively to bid up prices. Ideally it should be invested to a very large extent in Government securities to close the circuit between the matching deficit of the Government and the surplus of everyone else.

I am hoping you can help to explain this difficult idea to the American people.

A final remark

Before I close, I want to tell you how much I appreciate the wonderful cooperation we have been receiving in connection with the selling of our

bonds. You know that there may be some feeling that Washington, D. C., is so filled with people on the Government payroll that a significant part of the money represented by a war bond must be detoured into the maintenance of a bond selling bureau.

Actually, this is not the case. The cost of selling bonds is very small. This is because hundreds of thousands of volunteers across the country have taken over the job of selling. Management and labor have pulled together to put over the payroll savings plan, under which more than 25 million working people now regularly invest almost 9 percent of their wages and salaries. Manufacturing and retail firms, large and small, have given us, free of charge, millions of dollars worth of advertising space and radio time. The Federal Reserve System and thousands of banks working with them have worked hard in this bond-selling job. You know, of course, how much the press has been doing.

x x x x

I trust that you will forgive this unusual means of reaching you. These are unusual times and we need your help. To help us to the full extent of your capacity you should know the facts, and this is the best way I know to get them to you. Although this memorandum is not intended for publication, please feel free to use any of the material included as you see fit. I extend, for the Treasury Department, our thanks for the help you have already given us in selling War Bonds. I know very well that as good Americans you will continue it.

(Signed) Henry Morgenthau, Jr.

D Copy of speech with emphasis marks
by Mr. Stauffer of OWI who coached the
Secretary on delivery.

Tonight I'm going to talk about something you might not expect the Treasury Department to discuss. I'm going to talk about the Second Front.

The Second Front is no military secret. We all know that, just over the horizon, we of the United Nations are piling up the thunder-clouds of the greatest attack in history. We are massing for that attack, now. The planning, the patient preparation, the bitter time when we had to take blows without returning them, because we weren't ready - all of that is past. Now we're ready to deal a few blows ourselves; and they'll be blows, I can promise you, that will rock Nazi Germany to its rotten, bloodstained foundations.

As the Secretary of the Treasury I've been given the job of seeing to it that money is available to pay for this great military offensive and others to follow. This is why we're launching the Second War Loan tonight -- to raise at least 13 billion dollars before the end of this month to buy materials and implements of war. We must buy shells today for big guns that will be roaring tomorrow and the day after. I'm here tonight to tell you that your help is needed. The need is real.

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urgent, pressing. Ten percent is no longer enough. We are asking everyone to buy extra bonds this month, even workers who are now participating in the payroll savings plan.

In our private lives none of us deals with billion-dollar figures. I know they're bewildering.

But except for the size of the figures involved there is no mystery about financing a war. The Government of the United States is buying the best equipment ever furnished to any army. It is paying not only for equipment that reaches the fighting fronts but for some equipment that never gets there. For every ship that's sunk we must build two new ships - for every cargo that's lost we must send out two new cargoes. And that costs money. Where are we going to get it?

Well, there are several ways to get the money. We can raise it through taxes. We can borrow it from the banks. And we can borrow it from the people - and that means you.

We are now getting more money through taxes than ever before. And it has ^{will be necessary, I have no doubt} already been necessary to ask for still more. But we cannot rely on taxes alone to do the whole job, and I wouldn't want to - because we could not tax with fairness on so huge a scale.

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We could borrow all the money from the banks. Our credit is excellent. But for a variety of reasons, economic and social, this is also undesirable. One reason goes to the very heart of our system of government. It is important to me as I know it is to you. This is a people's war - so all of the people ought to have a part in financing it.

And I know you feel the same way about it, because 5 sixths of all the people who are earning money today have bought bonds.

As Secretary of the Treasury, I can report that 96 cents ^{of} every dollar which comes into the Treasury, through war bonds, taxes, or anything else, is spent for war purposes! When you pay eighteen dollars and seventy-five cents for a bond, eighteen dollars go immediately into guns and planes and equipment. The 75 cents goes for the regular expenditures of the Government.

The cost of selling bonds is indeed very small. And this is because you and your neighbors and hundreds of thousands of volunteers across the country have taken over the job of selling. I'd like to express, to all of you, my deepest gratitude. I should like to thank all of those who are helping - management and labor, for the splendid success they have made of the payroll

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savings plan, under which more than 25 million working people now regularly invest almost 9 percent of their wages and salaries. I'd like to thank manufacturing and retail business firms, large and small, who have given us, free of charge, millions of dollars worth of advertising space and radio time, as has the Telephone ^{System} Company tonight. And the Federal Reserve System and thousands of banks working with them - and all the others who are giving their time in this way in the service of their country.

You can feel every confidence that the financial affairs of your government are in good condition as the United Nations go on the offensive. The situation is well in hand. We know where we're going. We know how much money our armed forces will need.

During this month of April we must get 15 billion dollars. We shall then have borrowed about 20 billions in the first 4 months of this year. We will need to borrow about 25 billions during the second 4 months, and, without ^{new} taxes, another 25 in the final period of the year; a total of about 70 billion dollars for the year.

I would like to assure you that we can afford it.

But 70 billion dollars is, of course, a lot of money. It isn't going to be easy to raise it. It

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means hard work. But I have every confidence, knowing the American people, and how deeply serious they are about this war, that we will get it. We will get it from people who will scrimp and save if need be to buy these bonds. We will get it especially from those upon whom we must depend most heavily - the men and women who are making good money in shipyards and plane factories and tank production; the gallant women who used to call themselves housewives but who are working today at lathes and drill-presses in the great war plants. These are the Americans who, all together, buy bonds in amounts that a millionaire, or even all of the millionaires combined, could never hope to equal. And they'll buy more of them this year - this year when 10 percent is no longer enough.

The boys at the front are counting on them. They are counting on you. ('They give their lives - you lend your money.')

All of us will buy bonds because all of us know that this is our war and that we must win it. We must win it so that nations with a bloody philosophy out of the dark ages of mankind's past will never again be able to raise a traitorous hand against neighbors

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wanting only to live in peace and friendly good will. An hour ago I passed through a railroad station. Standing at the iron gates, saying goodbye, were boys in uniform with their girls, their wives - young couples come to the heart-breaking minute when there were no more words; when all they could do was to stand with their hands clenched so tightly together that they hurt. And as I passed them I thought of all the other young Americans whose lives have been torn into ragged bits - young architects and engineers giving up their studies; school-girls working in factories; farmers sending their wives and youngsters out to work in the fields because they can't get hired hands; business men losing what they've spent twenty years creating, because of the necessary curtailments.

By what right do the Germans, the Japanese, blight our lives, shatter our homes, whirl away our ^{sons} to drown five thousand miles from home in a scum of oil at sea, or bleed and cough their lives out in a muddy, filthy ditch? Who do they think they are? --- We know only too well who they think they are! They're the supermen, the Master Races, put here on earth to enslave the rest of us and crack the whip over our bare backs while we do their dirty chores! - they and

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their 'great' armies; their great armies of sneaks and bullies that jump on weak, helpless nations when they aren't looking! The Japs, with their dreams of empire, built on lies and treachery. The Germans, who twice within the memory of living men have tried, with their Kaisers and their Fuehrers, to conquer the rest of our world. We say: "Never again!" We of the United Nations will show them who we are. We'll show them some really great armies - Chinese and Russian, British and American.

These armies are the mightiest military machine in all ~~the~~ history of ~~earth~~. But to us they are friends and husbands, fathers and sons. They are your boys and my boys.

They are asked to give their lives.

You are only asked to lend your money.

Shall we be more tender with our dollers than with the lives of our sons?

(I thank you.)

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APR 5 1943

My dear Mr. Stodghill:

No activity of the war financing program has been more heartening to me than the performance of the newspaper boys of the country whose efforts to date have resulted in the sale of approximately \$69,000,000 in ten cent stamps.

To the publishers and circulation managers of the 930 newspapers, who have participated in this plan, I extend my personal thanks and the thanks of the Treasury Department. I am impressed by the fact that full participation on the part of all daily newspapers would increase sales to nearly \$100,000,000.

The fact that over 20,000,000 homes in the United States can be reached consistently only by newspaper boys is an indication of the tremendous impetus which can be given to our War Savings program by these loyal young Americans and their newspaper organizations they represent.

Sincerely,

(Signed) H. Mergenthal, Jr.

Mr. Howard W. Stodghill,
Chairman, Newspaper Advisory Committee,
Philadelphia, Pennsylvania

TG:vm

Copy in Diary
Copies to Thompson

APR 8 1943

Dear Mr. Scofield:

I would like to suggest that you confer with your State Committee handling the sale of War Stamps to see if they will make the following test in the State of Texas and keep a record of the results and report monthly to the Treasury. If this works out in Texas, as we have reason to believe it will, it would then furnish a pattern for a similar operation on a national scale:

What we would like to do is to conduct a test in Texas to determine the possibility of increasing the sales of War Savings Stamps by enlisting the help of wholesalers and jobbers of all trades. The idea would be to have wholesalers and jobbers carry a supply of stamps just as they do other merchandise for delivery to their retail customers. The retailer would, of course, reimburse the jobber's representative on a cash basis at the time of delivery.

If agreeable to your committee, will you please proceed with this undertaking on the basis discussed in Washington at our recent conference?

Because wholesalers contact all of their retailers at frequent intervals, they are, no doubt, in a better position than any other group to immediately report the number of retail merchants in the State of Texas who are now selling War Savings Stamps or who are willing to do so beginning at once. Would it be possible to have them make such a check, again keeping in mind that the plan you develop may become the basis of a similar survey in other states. It is very desirable, at the same time, to have wholesalers also report on retailers who are acting as issuing agents for Bonds or taking applications for Bonds.

Please convey to your organization the Treasury's appreciation for undertaking this very important assignment.

Sincerely,

(Signed) H. Morgenthau, Jr.

Hon. Frank Scofield,
State Administrator,
War Savings Staff,
800 Lavaca Street,
Austin, Texas.

Copy in Diary

Copies to Thompson

SIM/jh

April 8, 1943

Dear Bob:

I am sending you another report by Mr. Bartelt, Commissioner of Accounts, on his trip to Chicago.

Would it be possible for Mr. Bartelt to see 100 letters of complaint from soldiers whose dependents have not been receiving their allowance checks and also those who are complaining about slowness in receiving their bonds.

Yours sincerely,

(Signed) Henry

Honorable Robert P. Patterson,
Under Secretary of War.

Sent by Mess. Brown 9:00 4/9/43
File in Diary
Copy of reply to Bartelt 4/9/43

April 5, 1943.

TO THE SECRETARY:

In accordance with your instructions, I proceeded to Chicago, Illinois, on March 31st for the purpose of inspecting the facilities established by the War Department to issue War Savings Bonds to officers and enlisted personnel of the Army, commencing with deductions made from their pay after March 31, 1943. These deductions are known as Class B allotments and relate to officers and enlisted men of the Army, WAACS, and civilian personnel outside the continental limits of the United States, except Alaska, Hawaii, Panama, and Puerto Rico.

As you know, the bonds purchased with deductions made on or before March 31, 1943 will be issued by the War Bond Office in Washington (Note: Since my memorandum of March 25, 1943, it has been decided by the War Department to transfer this work to Chicago).

SPACE

The Army War Bond Office is located in the Carson-Pirie-Scott Building, an 8-story brick building, at 366 West Adams Street, Chicago, Illinois. All of the second floor and about half of the first floor, consisting of about 100,000 square feet, are occupied by the Bond Office. This would be adequate for about five million accounts. Additional space would be available if needed. The space appears to be well suited for the work. Only part of it is now being used, allowing for considerable expansion. I was unable to obtain any information as to what protection is provided for this building in the way of anti-aircraft guns.

MANAGEMENT

The management is under Lt. Colonel Henry M. Burnett, assisted by Lt. Colonel L. D. Hall. Both officers are well qualified for the task and seem to be fully aware of the size and nature of the problems ahead.

ORGANIZATION

The organization is composed of three major divisions: viz., Examination Division, Central Registers Division, and the Bond Division. There are also three sections, viz., Audit Section, Planning and Procedure Section, and Office Service Section.

The Examination Division is composed of a Correspondence Branch and an Examining Branch. The Central Registers Division is composed of three branches—Allotment Branch, Accounting and Recording Branch, and Abstract Branch.

The Bond Division is composed of a Graphotype Branch, and a Bond Inscription Branch.

PERSONS SUBJECT TO THIS PLAN

As previously indicated, the plan applies to (a) all military personnel (including WAACS) irrespective of their location, and (b) all civilian personnel of the War Department who are located outside the continental limits of the United States, except Alaska, Panama, Hawaii, and Puerto Rico.

EFFECTIVE DATES

For military personnel the effective date of the plan is April 1, 1943; and for civilian personnel, January 1, 1943.

PLANS

(i.e., options, based on amounts of monthly deductions)

There are eleven plans, each of which is an aliquot part of the purchase price of a bond:

Plan No. 1	-	\$ 3.75	buys one \$25 bond in 5 months
" " 2	-	6.25	buys one \$25 bond in 3 months
" " 3	-	18.75	buys one \$25 bond in 1 month
" " 4	-	12.50	buys one \$50 bond in 3 months
" " 5	-	37.50	buys one \$50 bond in 1 month
" " 6	-	25.00	buys one \$100 bond in 3 months
" " 7	-	75.00	buys one \$100 bond in 1 month
" " 8	-	150.00	buys two \$100 bonds in 1 month
" " 9	-	225.00	buys three \$100 bonds in one month
" " 10	-	300.00	buys four \$100 bonds in 1 month
" " 11	-	375.00	buys one \$500 bond in 1 month

It will be noted that these eleven plans fall into three groups,

Bond every month: It will be noted that the addressograph plates for a "bond every month" are for \$25, \$50, \$100, and \$500 denominations, these plates, being arranged in separate rows according to denomination. For convenience of identification, the \$25 plates have a steel-colored top; the \$50 plates have a yellow top; the \$100 plates, a red top; and the \$500 plates, a blue top. All of the plates in this unit will be run monthly in the issuance of bonds. Each of these rows of plates is filed in three divisions: (1) bonds issued to military personnel for mailing to home addresses; (2) bonds to be delivered to the Federal Reserve Bank of Chicago for safekeeping, and (3) civilian bonds. Behind these three major divisions, the plates are filed as follows: military, according to the soldiers' serial numbers; civilian, alphabetically.

Bond every 3 months: The second unit contains the plates for the issuance of a "bond every 3 months." These relate to \$25, \$50 and \$100 bonds. The denominational arrangement is the same as that described with respect to the "bond every month." However, instead of filing the plates strictly in accordance with the soldiers' serial numbers, they are further subdivided according to the months in which the bonds are to be issued. For instance, soldiers whose monthly deduction of \$6.25 begins in April, would be entitled to their first bond in June, their second bond in September, the third bond in December, and so on. Soldiers enrolling in the plan in May with a \$6.25 monthly deduction, would receive the first bond in July, the second in October, the third in January, the fourth in April, and so on. After the June bonds have been issued, the same plates will be used for the September bonds, December bonds, March bonds, and every three months thereafter. Similarly the July plates will be used for October, January, April, and every three months thereafter. The August plates will be used for November, February, May, and every three months thereafter. This arrangement is illustrated in the table shown below:

Month of first deduction	Month of bond issue (every 3 months)		
	First series	Second series	Third series
April.....	June	September	December
May.....	July	October	January
June.....	August	November	February
July.....	September	December	March
August.....	October	January	April
September.....	November	February	May
October.....	December	March	June
November.....	January	April	July
December.....	February	May	August
January.....	March	June	September
February.....	April	July	October
March.....	May	August	November

Note: The months stated above are the months as of which the bonds will be dated. Delivery will be made within 15 days after close of the month in which the last deduction was made.)

Bond every 5 months: The third unit contains the plates for the issuance of bonds every 5 months. These relate only to \$3.75 allotments for the purchase of \$25 bonds. The plates are filed in numerical sequence according to the soldiers' serial numbers. A soldier allotted \$3.75 monthly commencing in April 1943 would be entitled to a bond every 5 months, *viz*: September, February, July, December, May, and so forth. Allotments commencing in May would purchase bonds in October 1943, March 1944, August 1944, January 1945, and so forth.

PROCEDURE

The procedure involves the use of three basic forms which are received from the soldier's personnel officer, as follows: (a) allotments, (b) changes in allotments, and (c) cancellations.

Since the issuance of bonds is automatic, after an allotment has been made, no change or cancellation can be made effective until it has been cleared through the Chicago Bond Office.

The Office Service Section classifies the mail, puts it into bundles and sends the allotments to the Examining Branch of the Examination Division. The soldier's serial number must be shown. If the serial number is not shown, it is rejected. Further comment will be made on the rejection procedure later.

After the allotment has been examined and found acceptable, they make a graphotype (addressograph) plate, showing the form of inscription to be placed on the bond. The plate shows the soldier's serial number, the plan number (1.0., \$3.75, \$6.75, etc.); the purchase price of the bond (1.0., \$15.75, \$37.50, etc.); and the month of issue (1.0., June, July, etc.). After the addressograph plate has been exposed, it is reproduced on a 3 by 5-inch card for verification purposes. The information on the card is examined against the soldier's allotment authorization to see that it is in exact agreement. This allotment authorization in the form of inscription to go on the insures against discrepancy in the form of inscription to go on the bond. Having been examined for correctness, the plate is then reproduced on the soldier's allotment authorization so that the allotment itself will show exactly how the bond is to be inscribed, the plan number, the purchase price of the bond, and the first month of issue. These allotment cards are filed exactly like the plates and, therefore, play a part in the control of the plates. The 3 by 5-inch cards made from the plates are filed alphabetically by soldiers' names and without regard to the sequence of serial numbers except in those cases where two or more soldiers would have identical names.

VOLUME OF BUSINESS

As of April 1, 1943, there had been received \$46,000 allotments, of which about 46,000 were rejected because they were not in conformity with the regulations. There have been about 700 changes, and about 1,500 cancellations. There was a little backlog in the processing of the allotments and the embossing of the plates, but General Kemper of the Office of the Chief of Finance informed me over the telephone this morning that he had made arrangements to bring this up to date through outside contract. The Chicago Bond Office indicated that they would issue bonds within two weeks from the time they are paid for, and I believe they will be able to accomplish this.

New allotment authorizations are being received at the rate of 45,000 a week. Employees are working "around the clock," in 3 shifts embossing the plates to be used for inscribing the bonds.

REASONS FOR REJECTING ALLOTMENTS

There are several reasons for rejecting allotments, the more important of which are: (1) omission of soldier's serial number, (2) omission of effective date of allotment, (3) where it is not clearly indicated whether the second person is to be co-owner or beneficiary, (4) where the co-owner or beneficiary is shown as, for example, Mrs. John Jones, instead of Mrs. Mary Jones, (5) failure of Army Field Officer to show that the allotment has been entered on the soldier's service record or pay card, (6) failure of Army Field Officer to certify allotment, (7) omission of soldier's signature or illegible signature, (8) address omitted or illegible, and (9) disposition of bonds omitted or uncertain.

It was observed that the original allotments, when not acceptable, are returned to the Field Personnel Officer from whom received with a form indicating the nature of the imperfections, a salmon-colored card being placed in the file where the authorization would normally be. At this point the Chicago War Bond Office relieves itself of further responsibility until a corrected allotment form has been received. Meanwhile, the Army Paymaster nevertheless will continue to deduct the amounts involved from the soldier's pay. In view of the possibility of loss of these original allotment authorizations in the mails or failure to receive prompt handling by the Army Personnel Officers in the field, coupled with the fact that the soldier, in the meantime, may have been transferred to another place, all resulting in confusion and misunderstanding, it seemed to me that there was grave danger in this practice, particularly in view of the fact that 46,000 of such authorizations have already been rejected and returned.

Accordingly, I suggested for the consideration of the Chicago Bond Office a change in procedure whereby these original allotment authorizations would not be returned (running the risk of loss in the mails, or otherwise) but that they would be sent to a special desk, under competent supervision, for close follow-up. Instead of returning the allotment authorization itself, I suggested that they adopt a self-addressed postal card appropriately designed to indicate the nature of the correction to be made, such as to supply the soldier's serial number, effective date of the allotment deduction, form of inscription, etc. This card should be so designed that it would be easy to supply the deficiency and remail it to the Chicago Bond Office. It should carry in large bold-face type a word of caution to all personnel officers that it must be handled promptly. It would be the duty of the person in charge of the rejection desk to thumb through the applications daily for the purpose of following up on those which have not been returned within a reasonable time.

MONEY CONTROLS

The procedure for automatic issuance of bonds from addressograph plates, based upon allotment authorizations, rather than upon evidence of actual pay-roll deductions is, of course, an innovation. Its main purpose is to facilitate the issuance of bonds. Heretofore it has been the practice to maintain a formal account with each person, which account was credited with the amount of deductions taken from certified pay rolls. In Chicago, the bonds will be issued on the basis of the allotment authorizations prior to actual checkup on pay-roll deductions. Avoidance of improper issuance of bonds under the Chicago plan will be dependent, in a large measure, upon careful compliance by field officers in making the deductions as indicated on the soldier's allotment authorization. If this should not be done, it is readily apparent that bonds will be issued to persons who are not entitled thereto. This is important to the Treasury for the reason that there must be no question concerning the integrity of our public debt; that is to say, the Treasury must be certain that all public debt obligations issued are represented by an equal amount of money having been received into the public Treasury.

Under the procedure established in the Chicago office, provision has been made for the receipt of what is called an abstract of deductions taken from the pay rolls. This abstract shows the soldier's serial number, his name, the amount of deductions, and is signed by an authorized finance officer who made or has knowledge of the deductions. These abstracts will be used by the Chicago office to make an audit of the addressograph plates from which the bonds are issued. Because of the tremendous number of

items involved, it is not the intention to make what is known as a detailed item-by-item audit. Rather, what they will do is to select at random the plates in different sections of the files and run them against the abstracts. There will, of course, be good cross sections of selection, and there will be a staff continuously engaged in this type of audit work. If discrepancies are noted, they will be run down. Also, they intend to establish controls for the purpose of proving total deductions on the abstracts against total bonds issued.

Your special attention is called to the fact that the procedure as set up for the Chicago Bond Office, however, does not contemplate that the office will have anything to do with money itself. Moreover, the amount of the deductions would remain in the Army appropriations until the money is needed to actually pay for the bonds issued to the soldiers. This is basically wrong as I explained orally to General Carter and General Loughry, as well as to Colonel Burnett, the Officer in Charge of the Chicago Office. The procedure can be corrected without taking away any of the simplicity of the detailed procedure and at the same time there might be avoided criticism which is bound to arise if the officer responsible for issuing the bonds has no responsibility for tying the issues into the cash accounts. Accordingly, I recommended consideration of a procedure under which the amount of bond deductions would immediately be taken out of the appropriations involved and deposited in a special account with the Treasurer of the United States to be used for the payment of the bonds as and when they are issued. Preferably, this account should be kept in the name of the responsible finance officer of the War Department. At the end of each day he would draw a single check* against this account in favor of the Treasurer of the United States, depositing the proceeds in the general account of the Treasurer as public debt receipts. This would not only be in the interest of better accounting but is also essential if the Daily Statements of the United States Treasury are currently to reflect the true expenditures of the Army from day to day and month to month. If such an account should be maintained, there would not be the same basis for criticism later on that the Government issued bonds without reference to the question of proof that an equivalent amount of money was received in payment for the bonds. The balance in the special account would, if there are no errors, represent the amount of deductions from pay for which bonds had not been issued.

I also suggested for consideration the advisability of establishing something in the nature of progressive accounting controls which would work about as follows: A separate control would be established for each plan, class, or unit, according to the month

* For the purchase price of bonds issued.

in which the bonds are to be issued; the deductions (supported by a check) relating to the bonds covering such plan, class, or unit would be credited to this account and the bonds issued would be charged to the account; the abstracts received from the Army finance officers showing the amounts deducted would be verified against the credits entered in the accounts; if no errors have been made with respect to the bonds to be issued for a plan, class, or unit, for a particular month, when all the work has been done, the amount of the bonds issued should exactly equal the amount of the deductions entered on the credit side of the account. The balance in the account would indicate either discrepancies or bonds still to be issued. In other words, each progressive controlling account would balance out as the bonds are issued, thus enabling them to localize discrepancies, if any.

SAFEKEEPING OF BONDS

Arrangements have been made with the Federal Reserve Bank of Chicago to hold bonds in safekeeping when requested by the soldiers in their allotment authorizations. Upon receipt of such bonds, the Federal Reserve Bank will send a notice of receipt to the address indicated by the soldier. Officials of the Federal Reserve Bank advised me that they are prepared to handle this part of the work satisfactorily.

CONCLUSION

My conclusions are: (1) that personnel, space, and facilities in the Chicago Bond Office appear to be adequate to do a good job; (2) that the addressograph procedure should enable the delivery of bonds within 15 days from the date the pay-roll deductions accumulate to the purchase price of the bond; (3) that a change in procedure for handling rejected allotment authorizations should be made as indicated above; (4) that there should be established a money control over the pay-roll deductions and bond issues; (5) that appropriate instructions should be issued to all personnel officers of the Army with a view to reducing to a minimum the number of authorizations which must be returned; and (6) that consideration should be given to the assignment of a promotional officer with headquarters in the War Bond Office at Chicago. One of this officer's principal duties should be to make arrangements so that there is a last minute checkup at ports of embarkation with a view to (a) procuring allotment authorizations from soldiers who have not executed one, and

(b) to advise enlisted men with a view to increasing the amounts of their allotments. In this connection, it would seem advisable to make an effort to encourage enlisted men to put as much money as they can afford into War Savings Bonds through the pay-roll allotment plan.

I recommended that the following warning be printed on envelopes somewhat similar to the one used on Dependency Benefit envelopes.

<p><u>WARNING</u></p> <p>Whoever obtains or receives this bond without being entitled thereto, with intent to defraud is punishable by fine of not more than \$2,000.00 or imprisonment for not more than one year, or both.</p>
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<p>This envelope is not to be opened by any person other than the one to whom it is addressed.</p>
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E. F. Bartelt,
Commissioner of Accounts

KFB:hbw 4/7/43

STATEMENT BY THE PRESIDENT

E.O. 9328

The Executive Order I have signed today is a Hold-the-Line order.

To hold the line we cannot tolerate further increases in prices affecting the cost of living or further increases in general wage or salary rates except where clearly necessary to correct sub-standard living conditions. The only way to hold the line is to stop trying to find justifications for not holding it here or not holding it there.

No one straw may break a camel's back, but there is always a last straw. We cannot afford to take further chances in relaxing the line. We already have taken too many.

On the price front, the directions in the Order are clear and specific.

All items affecting the cost of living are to be brought under control. No further price increases are to be sanctioned unless imperatively required by law. Adjustments in the price relationships between different commodities will be permitted if such adjustments can be made without increasing the general cost of living. But any further inducements to maintain or increase production must not be allowed to disturb the present price levels; such further inducements whether they take the form of support prices or subsidies, must not be allowed to increase prices to consumers. Of course, the extent to which subsidies and other payments may be used to help keep down the cost of living will depend on Congressional authorization.

Some prices affecting the cost of living are already above the levels of September 15, 1942. All of these cannot be rolled back. But some of these can and should be rolled back. The Order directs the reduction of all prices which are excessively high, inequitable, or unfair. The Stabilization Act was not intended to be used as a shield to protect prices which were excessively high on September 15, 1942.

On the wage front the directions in the Order are equally clear and specific.

There are to be no further increase in wage rates or salaries' scales beyond the Little Steel formula, except where clearly necessary to correct substandards of living. Reclassifications and promotions must not be permitted to affect the general level of production costs or to justify price increases or to forestall price reductions.

The Order also makes clear the authority of the Chairman of the War Manpower Commission to forbid the employment by an employer of any new employee except in accordance with regulations of the Chairman, the purpose being to prevent such employment at a higher wage or salary than that received by the employee in his last employment unless the change of employment will aid in the prosecution of the war.

2,

It further calls the attention of all agencies of the federal government and of state and municipal authorities concerned with the rates of common carriers and public utilities to the stabilization program in the hope that rate increases will be disapproved and rate reductions ordered so far as may be consistent with federal and state laws.

For sometime it has been apparent that this action must be taken because of the continued pressure for increased wages and increased prices. I have heretofore refrained from acting because of the contention of the supporters of the Rankhead bill that under the Act of October 2, 1942, I had no authority to place ceiling prices on certain commodities at existing levels. My views on that question were set forth in my message of April 2, vetoing the Rankhead bill.

The Senate did not vote upon the question of passing the bill over the veto. Its author moved to recommit the bill to the Committee on Agriculture, stating that there were not sufficient votes to override the veto.

I am advised that weeks or months from this date the bill may be reported for consideration. I am also advised that in the history of the Congress no bill vetoed by a President and recommitted to a committee has ever become law.

I cannot wait to see whether the Committee at some future date will again report the bill to the Senate. I cannot permit a continuance of the upward spiral of prices.

Some groups have been urging increased prices for farmers on the ground that wage earners have unduly profited. Other groups have been urging increased wages on the ground that farmers have unduly profited. A continuance of this conflict will not only cause inflation but will breed disunity at a time when unity is essential.

Under the Act of October 2, 1942, Congress directed that so far as is practicable, wages, salaries and prices should be stabilized as of the level of September 15. Under that direction inflation has been slowed up. Now we must stop it.

We cannot stop inflation solely by wage and price ceilings. We cannot stop it solely by rationing. To complete the job, Congress must act to reduce and hold in check the excess purchasing power. We must be prepared to tax ourselves more, to spend less and save more. The details of new fiscal legislation must be worked out by the appropriate committees of the House and the Senate. The executive departments stand ready to submit suggestions whenever the committees desire.

I am exerting every power I possess to preserve our stabilization program.

I am sure the Congress will cooperate.

April 8, 1943

2579^c

EXECUTIVE ORDER

By virtue of the authority vested in me by the Constitution and the statutes, and particularly by the First War Powers Act, 1941, and the Act of October 2, 1942, entitled "An Act to Amend the Emergency Price Control Act of 1942, to Aid in Preventing Inflation, and for Other Purposes," as President of the United States and Commander in Chief of the Army and Navy, and in order to safeguard the stabilization of prices, wages and salaries, affecting the cost of living on the basis of levels existing on September 15, 1942, as authorized and directed by said act of Congress of October 2, 1942, and Executive Order No. 9250 of October 3, 1942, and to prevent increases in wages, salaries, prices and profits, which, however justifiable if viewed apart from their effect upon the economy, tend to undermine the basis of stabilization, and to provide such regulations with respect to the control of price, wage and salary increases as are necessary to maintain stabilization, it is hereby ordered as follows:

1. In the case of agricultural commodities the Price Administrator and the Administrator of Food Production and Distribution (hereinafter referred to as the Food Administrator) are directed, and in the case of other commodities the Price Administrator is directed to take immediate steps to place ceiling prices on all commodities affecting the cost of living. Each of them is directed to authorize no further increases in ceiling prices except to the minimum extent required by law. Each of them is further directed immediately to use all discretionary powers vested in them by law to prevent further price increases direct or indirect, to prevent profiteering and to reduce prices which are excessively high, unfair or inequitable. Nothing herein, however, shall be construed to prevent the Food Administrator and the Price Administrator, subject to the general policy directives of the Economic Stabilization Director, from making such readjustments in price relationships appropriate for various commodities, or classes, qualities or grades thereof or for seasonal variations or for various marketing areas, or from authorizing such support prices, subsidies or other inducements as may be authorized by law and deemed necessary to maintain or increase production, provided that such action does not increase the cost of living. The power, functions and duties conferred on the Secretary of Agriculture under section 3 of the Emergency Price Control Act of 1942 (Public Law 421, 77th Cong.) and under section 3 of the Act of October 2, 1942 (Public Law 729, 77th Cong.) are hereby transferred to, and shall be exercised by the Food Administrator.

2. The National War Labor Board, the Commissioner of Internal Revenue and other agencies exercising authority conferred by Executive Order No. 9250 or Executive Order 9299 and the regulations issued pursuant thereto over wage or salary increases are directed to authorize no further increase in wages or salaries except such as are clearly necessary to correct substandards of living, provided that nothing herein shall be construed to prevent such agencies from making such wage or salary readjustments as may be deemed appropriate and may not have heretofore been made to compensate, in accordance with the Little Steel Formula as heretofore defined by the National War Labor Board, for the rise in the cost of living between January 1, 1941 and May 1, 1942. Nor shall anything herein be construed to prevent such agencies, subject to the general policies and directives of the Economic Stabilization Director, from authorizing reasonable adjustments of wages and salaries in case of promotions, reclassifications, merit increases, incentive wages or the like, provided that such adjustments do not increase the level of production costs appreciably or furnish the basis either to increase prices or to resist otherwise justifiable reductions in prices.

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3. The Chairman of the War Manpower Commission is authorized to forbid the employment by any employer of any new employee or the acceptance of employment by a new employee except as authorized in accordance with regulations which may be issued by the Chairman of the War Manpower Commission, with the approval of the Economic Stabilization Director, for the purpose of preventing such employment at a wage or salary higher than that received by such new employee in his last employment unless the change of employment would aid in the effective prosecution of the war.

4. The attention of all agencies of the Federal Government, and of all State and municipal authorities, concerned with the rates of common carriers or other public utilities, is directed to the stabilization program of which this order is a part so that rate increases will be disapproved and rate reductions effected, consistently with the Act of October 2, 1942, and other applicable federal, state or municipal law, in order to keep down the cost of living and effectuate the purposes of the stabilization program.

5. To provide for the consistent administration of this order and Executive Order No. 9250, and other orders and regulations of similar import and for the effectuation of the purposes of the Act of October 2, 1942, the Economic Stabilization Director is authorized to exercise all powers and duties conferred upon the President by that Act, and the Economic Stabilization Director is authorized and directed to take such action and to issue such directives under the authority of that Act as he deems necessary to stabilize the national economy, to maintain and increase production and to aid in the effective prosecution of the war. Except insofar as they are inconsistent with this order or except insofar as the Director shall otherwise direct, powers and duties conferred upon the President by the said Act and heretofore devolved upon agencies or persons other than the Director shall continue to be exercised and performed by such agencies and persons.

6. Except insofar as they are inconsistent with this order, Executive Order 9250 and the regulations issued pursuant thereto shall remain in full force and effect.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,

April 8, 1943.

FROM: MR. SCHWARZ'S OFFICE

TO: The Secretary

This information I have just received from Mr. White provides an adequate answer, I think, to the critical assertion in TIME. With an introductory paragraph, I could readily use it as a letter to the editors of TIME, providing there is no objection to the disclosure of all these facts. Will you send for me to talk about it whenever you are ready?

@ 4/9

Beary said he got about this

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 8, 1943

TO Mr. Schwarz
FROM Mr. White

Since June, 1940, some individuals, business organizations and banks of Metropolitan France have been quietly transferring whatever assets they could to other sections of the French Empire, in order to avoid the effects of German occupation. Such transfers were made from Metropolitan France to French North Africa. It is likely that these transfers may have been accentuated before the landing of American troops on November 8th. Owing to the political situation that prevailed within the area following the events of November 8, it was not possible to segregate the accounts of businesses, banks and individuals resident in North Africa, which may have been pro-Vichy in their attitudes. Moreover, under the political arrangements made, all financial control measures had to be taken by the French and not by us. In fact, however, the U.S. Treasury representatives with the occupying forces at once urged upon the French and the military the desirability of instituting strict internal and external economic and financial controls. On November 16, the French Governmental authorities issued "Instructions to Banks", which, amongst other things, provided for the blocking of all bank accounts belonging to European nationals, including people resident in Metropolitan France.

On December 20, the Treasury representatives were instrumental in having signed a "Trading With The Enemy Ordinance", under the terms of which severe penalties were laid down for any trade or communications with the enemy, or enemy-occupied areas, and under the terms of which a black list would be issued — the French authorities have subsequently issued black lists for several European countries and their colonies.

Control over Dakar and French West Africa by the French North African authorities was delayed for some weeks following the events of November 8. It was not until December 7 that French West Africa formally allied itself with French North Africa on the side of the United Nations. During this interim, it would have been possible for financial transactions and communications to have been carried on between this area and Metropolitan France. When French West Africa finally came within the sphere of influence of French North Africa, it was on such favorable political terms that financial controls other than those indicated above could not be insisted upon.

It is true that a flight from the French franc to the French African territories have benefited those people who got their funds out of France. The benefits accruing from the present strength of the French African franc due to the presence of Allied forces is not, however, limited to a

Division of Monetary
Research

- 2 -

group of speculators, but is a benefit that accrues to all of the people in French Africa. The holding of French African francs does not necessarily mean that the owners can secure dollar credits at the rate of fifty francs to the dollar; actually the franc profits so far accumulated are paper profits and can be translated into actual profit only by transference into dollars. The transfer of dollars to and from French African accounts held in the United States are strictly controlled, in accordance with Treasury freezing regulations in effect here.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

Nov 11 - 1943

TO Secretary Morgenthau
FROM J. W. Pehle

You inquired today through Miss Chauncey whether the attached article by Johannes Steel relative to North African financial manipulations is accurate.

A report is in the course of preparation which will outline the financial manipulations in North Africa of the French collaborationist groups. It is probable that we will be able to show that the allegations which Steel makes can be supported and the situation may be worse than Steel has indicated.





Steel Filings

How the Treasury Halted A Peyrouton Dollar Deal

By Johannes Steel

It may yet be too early to draw the balance sheet for the first fiscal year of collaboration in North Africa. We have never been told when the first fiscal year of collaboration began.

We do not know when the first deal was negotiated and the first transaction consummated. Yet there are ample indications that German as well as French big business knows the precise dates. The question now is whether we will eventually be able to pay dividends on the business of collaboration in which we have engaged in North Africa.

Let us therefore strike an interim balance. What did we get? Certain military concessions which, it is insisted, saved American lives. Considering what has happened in North Africa since we first landed there, it remains extremely doubtful that any lives have been saved by negotiation. In fact, it may very well be that we would have long been in Tunis and Bizerte had we not negotiated with Darlan long enough to give the Germans time to throw really important reinforcements into Tunisia. If we had given Darlan the alternative of being shot within two hours or delivering Tunis and Bizerte within that time, we would probably be there now.

The Fortune Hunters

We also got Giraud and that band of sinister international operators, headed by the ubiquitous Marcel Peyrouton, who see this phase of the war as nothing but an opportunity to amass gigantic fortunes and control over a continent-wide European industrial and financial cartel.

We also got Gen. Nogues who, in fact, is still actively sabotaging our efforts at every step of the way. Further on the debit side is the unparalleled loss of American diplomatic and political prestige among the peoples of Europe in particular and the peoples of the world in general.

Now let us take a look at what this has cost us already and what we are proposing to pay out in the future—I mean in ac-

tual cash. Somehow, during the last two weeks before the Allied landing in Africa, a sum of money, according to the latest information amounting to 25 billion francs in cash and securities, was transferred from the Continent to North Africa. This was done with the permission of the Vichy Government and the German economic control of France. The 25 billion francs represented assets and moneys jointly held by German and French interests.

The transaction in the main was carried out through the Banque Worms and their North African correspondents, the Banque Nationale Pour le Commerce et l'Industrie. Now, it is important to note here that these French francs which were transferred to North Africa were purchased in France at the rate of approximately 200 francs per dollar. Meanwhile, however, the American Administration in North Africa has obliged the holders of these funds by exchanging these francs for dollars with the one difference that we have been giving them \$4 for 200 francs, or fifty francs to the dollar.

Peyrouton Finds a Way

Of course, it has been physically impossible for Marcel Peyrouton and his principals to unload altogether the total of 25 billion francs and obtain dollars for them. Apparently there were not enough dollars in North Africa. Now, however, Marcel Peyrouton and his French and German principals apparently believe they have found a way of doing it.

Representatives of the Banque Nationale Pour le Commerce et l'Industrie have convinced a group of three American banks that it would be a good idea to grant the Giraud administration

a loan of fifty million dollars upon which the American banks, of course, will earn their usual 4 per cent commission.

But—and this is a beauty—said the representatives of the Banque Nationale Pour le Commerce et l'Industrie to the American banks: "All you have to do is underwrite this loan. We will take it up in North Africa ourselves. North African French business will subscribe to this loan because we believe in the future of Giraud and France. But, of course, you must enable us to convert our francs into dollars so that we can subscribe to this fifty million dollar loan. Will you get the Treasury to buy our 25 billion francs at the rate of fifty francs per dollar?"

This plan was being worked out neatly in New York and Washington last week until the Treasury got wind of it and politely but firmly said "No!" This does not mean, however, that the boys have stopped trying. Here is one for the Senate to investigate. A really hot potato!

New York Post
APR - 6 1943



Steel Filings

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You also may listen to news analyses by Johannes Steel over Station WMCA daily at 7:30 p. m.

**TREASURY DEPARTMENT
OFFICE OF THE SECRETARY**

April 8, 1943

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended March 31, 1943, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

(init.) E. M. B.

inc:4/9/43

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YFEDERAL RESERVE BANK
OF NEW YORK

April 7, 1943

CONFIDENTIALDear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended March 31, 1943, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

The Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

Enclosure

Copy:imc:4/9/43

(In Millions of Dollars)

Week Ending March 11, 1941

Continued

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)									BANK OF FRANCE			
	D E B I T S				C R E D I T S					Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)	
	Total Debits	Gov't Expenditures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Transfers from Official Australian Account	Other Credits (c)				Net Incr (+) or Decr. (-) in \$ Funds (d)
First year of war (g)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+299.0
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,095.4	+220.1
Second year of war (h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	795.4	- 13.2	38.9	8.8	- 30.1
Third year of war (i)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+125.9	18.5	4.4	- 14.1
1942													
Sept. 3 - Sept. 30	56.1	37.1	-	19.0	81.6	-	0.5	20.5	60.6	+ 25.5	10.1	0.4	- 9.7
Oct. 1 - Oct. 28	46.7	27.4	-	19.3	57.5	-	-	12.0	45.5	+ 10.8	-	0.3	+ 0.3
Oct. 29 - Dec. 2	96.6	35.5	-	61.1	83.7	-	-	5.5	78.2	- 12.9	0.2	0.2	+ 0.1
Dec. 3 - Dec. 30	20.4	13.3	-	17.1	51.9	-	-	8.0	43.9	+ 21.5	-	-	-
Dec. 31 - Feb. 3	168.6	20.9	125.0	22.7	58.9	-	-	8.0	50.9	-109.7	-	-	-
Feb. 4 - Mar. 3	87.2	17.8	37.7	31.7	120.8	-	-	15.0	105.8	+ 33.6	-	-	-
Mar. 4 - Mar. 31	35.3	12.9	-	22.4	64.4	-	-	5.0	59.4	+ 29.1	-	-	-
WEEK ENDED:													
March 10	6.3	3.7	-	2.6	8.1	-	-	-	8.1	+ 1.8	-	-	-
17	8.1	3.6	-	4.5	12.6	-	-	-	12.6	+ 4.5	-	-	-
24	12.2	2.5	-	9.7	31.7	-	-	5.0	26.7	+19.5	-	-	-
31	8.7	3.1	-	5.6	12.0(1)	-	-	-	12.0(1)	+ 3.3	-	-	-

Average Weekly Expenditures Since Outbreak of War
France (through June 19, 1940) \$19.6 million

See attached sheet for footnotes.

England (through June 19, 1940) \$27.6 million
England (June 20, 1940 to March 12, 1941) \$54.9 million
England (since March 12, 1941) \$23.4 million

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) Includes \$3.3 million deposited by British Ministry of Supply and \$3.0 million received for credit of U. S. Army.

STATEMENTS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(In Millions of Dollars)

Week Ended March 31, 1943

Strictly
Confidential

PERIOD	BANK OF CANADA (and Canadian Government)									COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)						
	DEBITS				CREDITS					DEBITS				CREDITS		
	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds(a)	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits
First year of war period through December, 1940	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
Second year of war period through December, 1941	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Third year of war period through December, 1942	460.4	-	460.4	462.0	246.2	3.4	123.9	82.5	+ 1.6	72.2	16.7	55.5	61.2	62.9	18.3	+ 9.0
1942	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0
Sept. 3 - Sept. 30	46.3	-	46.3	53.6	13.2	-	-	40.4	+ 7.3	28.0	20.5	7.5	18.1	-	18.1	- 9.9
Oct. 1 - Oct. 28	44.9	-	44.9	51.5	16.6	-	-	34.9	+ 6.6	14.3	12.0	2.3	14.6	-	14.6	+ 0.3
Oct. 29 - Dec. 2	36.5	-	36.5	30.8	14.4	-	-	66.4	+ 24.3	10.2	5.5	4.7	9.4	-	9.4	- 0.8
Dec. 3 - Dec. 30	48.2	-	48.2	43.9	2.9	-	-	61.0	- 4.3	14.1	8.0	6.1	11.7	-	11.7	- 2.4
1943																
Dec. 31 - Feb. 3	32.5	-	32.5	217.1	-	125.0	-	92.1	+ 164.6	16.2	8.0	8.2	17.3	-	17.3	+ 1.3
Feb. 4 - Mar. 3	35.1	-	35.1	101.2	-	37.7	-	63.5	+ 66.1	15.9	15.0	0.9	16.0	-	16.0	+ 0.1
Mar. 4 - Mar. 31	36.2	-	36.2	51.6	-	-	-	51.6	+ 15.4	7.1	5.0	2.1	6.7	-	6.7	- 0.4
Weekly Averages:																
March 10	3.3	-	3.3	19.1	-	-	-	19.1	+ 15.8	0.7	-	0.7	2.7	-	2.7	+ 2.0
17	17.1	-	17.1	9.5	-	-	-	9.5	- 7.6	1.3	-	1.3	3.3	-	3.3	+ 2.0
24	3.4	-	3.4	11.6	-	-	-	11.6	+ 8.2	5.1	5.0	0.1	0.3	-	0.3	- 4.8
31	12.4(b)	-	12.4	11.4(b)	-	-	-	11.4(c)	- 1.0	-	-	-	0.4	-	0.4	+ 0.4

Weekly Average of Total Debits Since Outbreak of War

through March 31, 1943 \$ 8.5 million

*For monthly breakdown see tabulations prior to April 23, 1941.

**For monthly breakdown see tabulations prior to October 8, 1941.

***For monthly breakdown see tabulations prior to October 11, 1942.

(a) Reflects changes in all dollar holdings payable on demand or maturing in one year.

(b) Does not reflect transactions in Treasury bills.

(c) Includes \$7.1 million deposited by War Supplies, Ltd.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

April 8, 1945

FROM Frances McCathran

CONTROVERSIAL ISSUES BEFORE CONGRESS

1. Tax: Pay-As-You-Go - Demands for immediate reconsideration of pay-as-you-go tax legislation were revived yesterday in a letter addressed to Chairman Doughton of the House Ways and Means Committee by Representative Anderson, Democrat of New Mexico. The letter, now being circulated for signatures, deplored the fact that the House had been given no opportunity to vote on any of the compromise measures between the complete forgiveness of the defeated Carlson-Ruml Plan and the no abatement provisions of the Ways and Means Committee proposal. The letter went on to urge the Committee to act promptly in sending the tax issue back to the House for reconsideration. Meanwhile, Chairman Doughton, when informed of the letter, indicated that the Committee would consider the request and House Majority Leader McCrack said he hoped the House would be able to complete action on a pay-as-you-go tax bill before their planned Easter recess starts on April 17.
2. Farm Parity - Despite Senator Barkley's warning in Senate debate yesterday that holding the Bankhead Bill in committee as a "club" over labor demands for higher wages might prove a boomerang instead, the Senate, by a vote of 62 to 25, sent the measure back to its Committee on Agriculture and Forestry. By this desperate maneuver the farm bloc thus averted complete defeat and prevented a clear-cut decision on the measure. After the vote, Senator Bankhead observed to reporters, "We'll let it simmer for a while. After all we still have that cudgel behind the door." But Senator Barkley, regretting the fact that "a straight out and out vote would have disposed of it," remarked laconically, "Sometimes that cudgel can be taken away by the other fellow, too." In the debate yesterday, however, Senator Vandenberg voiced the opposing view and urged the Senate to pass the recommittal motion as an "ultimatum" to the President to "hold inflation on the wage front" or Congress would reconsider the Bankhead

Parity Bill. Meanwhile, the Senate Agriculture Committee again scheduled the opening of its hearings on the recommit-
ted Pace Bill to include farm labor costs in parity with
Price Administrator Brown and Agriculture Secretary Wickard,
who failed to appear Tuesday, as the first witnesses.

3. Labor - Close on the heels of the Bankhead Bill in the Senate yesterday, Senator Byrd introduced a resolution requiring the War Labor Board to keep Congress currently informed of every wage increase they grant and the reasons each was authorized. Byrd submitted the resolution in an attempt, he said, to get to the bottom of "this inflationary spiral" and added he considered wage increases far more inflationary than the Bankhead Bill would be. Meanwhile, on the other side of the Capitol, the Hobbs Anti-labor Racketeering Bill, shorn of softening amendments by the Judiciary Committee, is expected to come up in House debate today.

NOT TO BE RELEASED

SECURITY OFFICE - ASIA
1943 APR 9 PM 12 27
TREASURY DEPARTMENT

COPY NO. 13

BRITISH MOST SECRET
U.S. SECRET

OPTAL No. 115

Information received up to 7:00 P.M., 8th April, 1943.

1. NAVAL

On the 7th in the vicinity of the homeward convoy south of ICELAND (C) 5 U-boats were sighted and 3 attacks were made. No further attacks upon the convoy have been reported. The British Consul at LAS PALMAS, CANARY ISLANDS, reports that 35 crew of a German U-boat, some of them wounded, landed on the GRAND CANARY on the 6th and that the U-boat was sunk by the crew having been damaged by aircraft attack.

2. MILITARY

TUNISIA. To 07/2000. 8th Army. Further details of our attack on 6th indicate that fighting was very fierce and determined counterattacks took place all day. During the afternoon 4th Indian Division holding AJERELFERBAGA FATHAMA on the left successfully withstood a determined counterattack but on the INJEL KEMFOU-MAMA in the centre another fierce enemy counter attack was partially successful. Fighting in this area became confused but later the situation was restored by our infantry. The gap in the enemy defences has now been consolidated and armoured formations have started to move forward. 6,000 prisoners have been captured and much equipment. The enemy is withdrawing northwards followed by 30th Corps astride GABES-SFAX road and 10th Corps further west. Our fighter bombers have attacked enemy targets along the Coastal road. 2nd U.S. Corps. Axis forces holding heights astride GAFSA-GABES road seem to be fighting stubbornly. In an unsuccessful attack by U.S. infantry division on a hill south of the main road heavy casualties were suffered. To the north of the road U.S. forces, both infantry and armour, succeeded in advancing. On 7th 8th Army forward patrols made contact with 2nd U.S. Corps 30 miles east of EL GUETTAR.

BURMA. MAYU PABINEULU. On the 5th our forces withdrawing from their positions north of DONBIK successfully attacked Japanese who had infiltrated through the MAYU Hills from the east and cut the coastal road north of INDIR (12 miles north of DONBIK). Japanese infiltrated southeast of INDIR holding up the attack for a time but the situation was cleared up and by the 6th our main forces in this area had reached KYURPANDU, four miles north of INDIR, without further trouble. All wounded were evacuated safely. Considerable casualties were inflicted on the Japanese in this action. Further north our troops east of the MAYU HILLS moving southwards had reached a point 2 1/2 miles southwest of OKTHAMA (about 9 miles north-east of INDIR).

3. AIR OPERATIONS

WESTERN FRONT. 7th. 13 enemy aircraft crossed the south and south-east coast. Two ME 109's were destroyed. Typhoons also destroyed a German bomber off CALAIS.

TUNISIA. 5th. Allied heavy, light and fighter bombers attacked BIZERTA and TUNIS airfields and 3 others destroying or damaging many aircraft on the ground. 6th. 17 U.S. Mitchells bombed ENFIDAVILLE while fighters and fighter bombers attacked enemy concentrations north of WADI AKARIT and M.T. retiring up the coastal road.

SICILY. 5th. A total of 86 U.S. Fortresses and Mitchells bombed enemy airfields destroying many grounded aircraft. U.S. Liberators dropped 46 tons of bombs on PALERMO Harbour. 6th. U.S. Fortresses dropped 28 tons on TRAPANI Harbour and hit several ships.

MEDITERRANEAN. 6th. 23 U.S. Fortresses and 5 Lightnings attacked enemy shipping in the SICILIAN CHANNEL. A 6,000 ton ship was seen to explode and another was left burning. 2 other 4,500 ton ships were also hit. 15 M.E. 109's were destroyed and 3 damaged. 10 Fortresses were damaged.

4. HOME SECURITY

7th. NEWPORT. ISLE OF WIGHT was bombed and machinegunned in the early morning. The centre of the town was badly damaged and 15 persons killed.